iAnthus Capital Holdings, Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2020 and 2019

Company Overview

iAnthus Capital Holdings, Inc. (the "Company" or "iAnthus") is a leading, vertically-integrated, multi-state owner and operator of licensed cannabis cultivation, processing and dispensary facilities and a developer, producer and distributor of innovative branded cannabis and cannabidiol ("CBD") products in the United States. The Company is committed to creating a national retail brand and portfolio of branded cannabis and CBD products recognized in the United States.

As of September 30, 2020, through its subsidiaries, the Company currently owns and/or operates 29 dispensaries and 10 cultivation and/or processing facilities throughout the United States. The Company also distributes cannabis and CBD products to over 200 dispensaries and CBD products to over 2,300 retail stores throughout the United States. Pursuant to existing licenses, interests and contractual arrangements, the Company has the capacity to own and/or operate up to an additional 13 dispensaries in five states, plus an uncapped number of dispensaries in Florida and up to 12 cultivation and/or processing facilities, and have the right to manufacture and distribute cannabis products in ten U.S. states.

Incorporated in British Columbia, Canada in 2014, the Company became the first licensed multi-state cannabis operator in the United States to publicly trade on the Canadian Securities Exchange (the "CSE") in 2016 under the ticker symbol "IAN". The Company's shares are also quoted on the OTC Pink Markets, part of the OTC Markets Group Inc's Pink Tier, under the ticker symbol "ITHUF".

The Company's multi-state operations encompass the full spectrum of medical and adult-use cannabis and CBD enterprises, including cultivation, processing, product development, wholesale-distribution, and retail. Cannabis products offered by the Company include flower and trim, products containing cannabis flower and trim (such as pre-rolls), cannabis infused products (such as topical creams, tinctures and sprays) and products designed for beauty and skincare (such as lotions, creams, haircare products, lip balms and bath bombs).

The effective date of this management's discussion and analysis is November 27, 2020.

Novel Coronavirus Pandemic ("COVID – 19") Update

In December 2019, a novel strain of coronavirus known as COVID-19 surfaced in Wuhan, China and in March 2020, the World Health Organization declared the global emergence of the COVID-19 pandemic. The Company has taken the necessary precautionary measures in accordance with local guidelines to ensure the safety of the Company's facilities and staff. The Company's facilities, including dispensaries and cultivation facilities, continue to be operational and management is working closely with local regulatory bodies to ensure that the Company continues to meet and exceed the standards in markets in which the Company operates. We will continue to monitor guidance and orders issued by federal, state and local authorities with respect to COVID-19. As a result, we may take actions that alter our business operations as may be required by such guidance and orders or take other steps that we determine are in the best interest of our employees, customers, partners, suppliers, shareholders and stakeholders. Any such alterations or modifications could cause substantial interruption to our business and could have a material adverse effect on our business, operating results, financial condition and the trading price of our common shares and could include temporary closures of one or more of our facilities; temporary or long-term labor shortages; temporary or long-term adverse impacts on our supply chain and distribution channels; the potential of increased network vulnerability and risk of data loss resulting from increased use of remote access and removal of data from our facilities. In addition, COVID-19 could negatively impact capital expenditures and overall economic activity in the impacted regions or depending on the severity, globally, which could impact the demand for our products and services.

It is unknown whether and how we may be impacted if the COVID-19 pandemic persists for an extended period of time or if there are increases in its breadth or in its severity, including as a result of the waiver of regulatory requirements or the implementation of emergency regulations to which the Company is subject. The COVID-19 pandemic poses a risk that we or our employees, contractors, suppliers, and other partners may be prevented from conducting business activities for an indefinite period of time.

Although we have been deemed essential and/or have been permitted to continue operating our facilities in the states in which we cultivate, process, manufacture and sell cannabis during the pendency of the COVID-19 pandemic, there is no assurance that our operations will continue to be deemed essential and/or will continue to be permitted to operate.

Cautionary Note Regarding Forward-Looking Statements

This management's discussion and analysis ("MD&A"), is supplemental to, and should be read in conjunction with, the Company's condensed interim consolidated financial statements for the three and nine months ended September 30, 2020 and 2019 , and the notes thereto, filed on www.sedar.com. For the purposes of this MD&A, the term "Company" means iAnthus Capital Holdings, Inc. and unless the context otherwise requires, includes its subsidiaries. Any references to the cultivation, processing, manufacturing, extraction, retail operations, dispensing, or distribution of cannabis, logistics or similar terms specifically relate only to the Company's state-licensed subsidiary entities. Operations of the licensed subsidiary entities are dependent on each entity's license type, and the applicable state law and associated regulations. Additional information regarding the Company is available on the Company's website at www.iAnthus.com or at www.sedar.com.

Financial information presented in this MD&A is presented in United States ("U.S.") dollars ("$" or "US$"), unless otherwise indicated.

This MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 – *Continuous Disclosure Obligations of the Canadian Securities Administrators* and Staff Notice 51-352 (Revised) – *Issuers with US Marijuana Related Activities* ("Staff Notice 51-352").

This "MD&A" contains certain "forward-looking statements" within the meaning of Canadian securities laws and United States securities laws. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based on management's current beliefs, expectations or assumptions regarding the future of the business, future plans and strategies, operational results, and other future conditions of the Company. In addition, the Company may make or approve certain statements in future filings with Canadian securities regulatory authorities, in press releases, or in oral or written presentations by representatives of the Company that are not statements of historical fact and may also constitute forward-looking statements. All statements, other than statements of historical fact, made by the Company that address activities, events, or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by, or that include words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations (including negative variations) of such words and phrases or statements that certain actions, events, or results "may", "could", "would", "might", or "will" be taken, occur, or be achieved. Statements such as those about the Recapitalization Transaction (as defined herein), including the terms, conditions, and implementation thereof, obtaining requisite stakeholder, regulatory and stock exchange approval in respect therefor, the effect of the Recapitalization Transaction on the Company and the Company's financial condition, the recovery of Existing Shareholders (as defined herein) in respect thereof, forbearance by the Secured Lenders (as defined herein) and the Initial Consenting Unsecured Debentureholders (as defined herein) pursuant to the Restructuring Support Agreement (as defined herein), the expected date of meetings of the Secured Lenders, Unsecured Debentureholders (as defined herein) and Existing Shareholders to approve the Recapitalization Transaction, the effect of COVID-19 (as defined herein) on the Company's business, operating results, financial condition and the trading price of the Company's common shares ("Common Shares"), actions taken by the Company or by governmental or regulatory agencies in respect of the Company in response to COVID-19 and the effects thereof on the Company's business, operating results, financial condition and the trading price of the Common Shares, the expected number of users of medical and/or adult-use marijuana, the Company's ability to become a leader in the field of medical and/or adult-use marijuana, and the Company's ability to achieve profitability without further equity financing, or at all, are all forward-looking statements.

Forward-looking statements are based on the reasonable assumptions, estimates, internal and external analysis, and opinions of management made in light of its experience and perception of trends, current conditions, and expected developments, as well as other factors that management believes to be relevant and reasonable at the date that such statements are made. Forward-looking statements involve known and unknown risks, uncertainties, assumptions, and other factors that may cause actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements. Such factors include, but are not limited to, the factors identified in the section entitled "Risk Factors" in this MD&A. The purpose of forward-looking statements is to provide the reader with a description of management's expectations, and such forward-looking statements may not be appropriate for any other purpose. Although the Company has attempted to identify important factors that could cause actions, events, or results to differ materially from those described in the forward-looking statements, there may be other factors that cause actions, events, or results to differ from those anticipated, estimated, or intended. Forward-looking statements contained herein are made as of the date of the MD&A. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on the forward-looking statements. The Company does not undertake to update any forward-looking statements except as required by applicable securities laws.

The discussion of risk factors in this MD&A has been updated to include discussion of risks related to the current pandemic caused by the spread of COVID-19. The nature and scope of the pandemic and its impact are rapidly developing, and it is difficult for management to identify at the current time all risks, or quantify those identified, or to assess their impact on particular financial measures and operating results. Nevertheless, discussion under "Risk Factors" identifies potential areas of negative potential impact that may be caused by the pandemic.

This MD&A contains future-oriented financial information and financial outlook information (collectively, "FOFI") about the Company's prospective results of operations, production and production efficiency, commercialization, revenue, and cash on hand, all of which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth in the above paragraphs. FOFI contained in this MD&A was approved by management as of the date of this MD&A and was provided for the purpose of providing further information about the Company's future business operations and financial condition. The Company disclaims any intention or obligation to update or revise any FOFI contained in this MD&A, whether as a result of new information, future events, or otherwise, unless required pursuant to applicable law. Readers are cautioned that the FOFI contained in this MD&A should not be used for purposes other than for which it is disclosed herein.

Cannabis and Hemp Regulations in the United States

Cannabis

In the United States, the cultivation, manufacturing, importation, distribution, use, and possession of cannabis is illegal under U.S. federal law. However, medical, and adult-use cannabis has been legalized and regulated by individual states. As of the date of this MD&A, 33 states plus the District of Columbia and certain U.S. territories recognize in one form or another the medical use of cannabis, while 11 of those states plus the District of Columbia and certain U.S. territories recognize in one form or another the full adult-use of cannabis.

Notwithstanding the regulatory environment with respect to cannabis at the state level, cannabis continues to be categorized as a Schedule I controlled substance under the U.S. Controlled Substances Act (the "CSA"). Accordingly, the use, possession, or distribution of cannabis violates U.S. federal law. As a result, cannabis businesses in the United States are subject to inconsistent state and federal legislation, regulation, and enforcement.

Under former President Barack Obama, in an effort to provide guidance to U.S. federal law enforcement regarding the inconsistent regulation of cannabis at the U.S. federal and state levels, the U.S. Department of Justice (the "DOJ") released a memorandum on August 29, 2013 entitled "Guidance Regarding Marijuana Enforcement" from former Deputy Attorney General James Cole (the "Cole Memorandum"). The Cole Memorandum acknowledged that, although cannabis is a Schedule I controlled substance under the CSA, the U.S. Attorneys in states that have legalized cannabis in some form should prioritize the use of the U.S. federal government's limited prosecutorial resources by focusing enforcement actions on the following eight areas of concern (the "Cole Priorities"):

- Preventing the distribution of cannabis to minors;
- Preventing revenue from the sale of cannabis from going to criminal enterprises, gangs, and cartels;
- Preventing the diversion of cannabis from states where it is legal under state law in some form to states where it is not legal;
- Preventing legal cannabis activity from being used as a pretext for trafficking other illegal drugs or other illegal activity;
- Preventing violence and the use of firearms in the cultivation and distribution of cannabis;
- Preventing drugged driving and the exacerbation of other adverse public health consequences associated with cannabis use;
- Preventing the growing of cannabis on public lands and the attendant public safety and environmental dangers posed by cannabis production on public lands; and
- Preventing possession or use of cannabis on U.S. federal property.

In January 2018, under the administration of President Donald Trump, former U.S. Attorney General Jeff Sessions rescinded the Cole Memorandum. While this did not create a change in U.S. federal law, as the Cole Memorandum was not itself law, the rescission added to the uncertainty of U.S. federal enforcement of the CSA in states where cannabis use is legal and regulated. Former Attorney General Sessions, concurrent with the rescission of the Cole Memorandum, also issued a one-page memorandum known as the "Sessions Memorandum." The Sessions Memorandum stated that the Cole Memorandum was "unnecessary" due to existing general enforcement guidance adopted in the 1980s, as set forth in the U.S. Attorney's Manual (the "USAM"). The USAM enforcement priorities, like those of the Cole Memorandum, are also based on the U.S. federal government's limited resources and include "law enforcement priorities set by the Attorney General," the "seriousness" of the alleged crimes, the "deterrent effect of criminal prosecution," and "the cumulative impact of particular crimes on the community."

While the Sessions Memorandum emphasizes that cannabis is a Schedule I controlled substance under the CSA and states that it is a "dangerous drug and that marijuana activity is a serious crime," it does not establish the prosecution of cannabis-related offenses as a DOJ priority. Furthermore, the Sessions Memorandum explicitly describes itself as a guide for prosecutorial discretion. Such discretion is firmly in the hands of U.S. Attorneys who determine whether to prosecute cannabis-related offenses. U.S. Attorneys could individually continue to exercise their discretion in a manner similar to that permitted under the Cole Memorandum. While certain U.S. Attorneys have publicly affirmed their commitment to proceeding in a manner contemplated under the Cole Memorandum, or otherwise affirmed that their views of U.S. federal enforcement priorities have not changed as a result of the rescission of the Cole Memorandum, others have publicly supported the rescission of the Cole Memorandum.

At a U.S. Senate appropriations hearing on April 10, 2019, the current U.S. Attorney General, William Barr, stated that he personally "would still favor one uniform federal rule against marijuana," but if "there's not sufficient consensus to obtain that, then the way to go is to permit a more federal approach so states can make their own decisions within the framework of a federal law so we're not just ignoring the enforcement of federal law." When asked to provide any guidance in the meantime, Attorney General Barr stated that "I've generally left it up to the U.S. Attorneys in each state to determine what the best approach is."

He also stated that the DOJ is currently reviewing the recently reintroduced Strengthening the Tenth Amendment Through Entrusting States Act ("STATES Act"), which would shield individuals and businesses complying with state cannabis laws from federal intervention.

Other federal legislation provides or seeks to provide protection to individuals and businesses acting in violation of U.S. federal law but in compliance with state cannabis laws. For example, what is known as the Rohrabacher-Farr Amendment has been included in annual spending bills passed by Congress since 2014. The Rohrabacher-Farr Amendment restricts the DOJ from using federal funds to interfere with states implementing laws that authorize the use, distribution, possession, or cultivation of medical cannabis.

U.S. courts have construed these appropriations bills to prevent the U.S. federal government from prosecuting individuals or businesses engaged in cannabis-related activities to the extent operating in compliance with state medical cannabis laws. However, because this conduct continues to violate U.S. federal law, U.S. courts have observed that should the U.S. Congress at any time choose to appropriate funds to fully prosecute individuals or businesses acting in violation of the CSA, such individuals or businesses could be prosecuted for violations of U.S. federal law even to the extent operating in compliance with applicable state medical cannabis laws.

If Congress declines to include the Rohrabacher-Farr Amendment in future fiscal year appropriations bills or fails to pass necessary budget legislation causing a government shutdown, the U.S. federal government will have the authority to spend federal funds to prosecute individuals and businesses acting contrary to the CSA for violations of U.S. federal law.

Further, the appropriations protections only apply to individuals or businesses operating in compliance with a state's medical cannabis laws and provide no protection to individuals or businesses operating in compliance with a state's adult-use cannabis laws. On June 20, 2019, however, the U.S. House of Representatives passed the Blumenauer-Norton-McClintock Amendment, which would expand the protections afforded by the Rohrabacher-Farr amendment to individuals and businesses operating in compliance with applicable state adult-use cannabis laws. The U.S. Senate did not include the Blumenauer-McClintock-Norton Amendment in its appropriations bill, and ultimately, the Blumenauer-McClintock-Norton Amendment was not passed into law. On July 30, 2020, the U.S. House of Representatives again voted to include the Blumenauer-Norton-McClintock Amendment in its Commerce, Justice, Science, and Related Agencies Appropriations Act, 2021. However, it is unclear whether the U.S. Senate will include the Blumenauer-McClintock-Norton Amendment in its version of the appropriations bill and whether it will ultimately be included in appropriations legislation for 2021.

Additionally, there are a number of marijuana reform bills that have been introduced in the U.S. Congress that would amend federal law regarding the legal status and permissibility of medical and adult-use cannabis, including the STATES Act, the Marijuana Opportunity Reinvestment and Expungement Act (the "MORE Act"), and the Substance Regulation and Safety Act (the "SRSA"). The STATES Act would create an exemption in the CSA to allow states to determine their own cannabis policies without fear of federal reprisal. The MORE ACT, which was passed by the House Judiciary Committee on November 20, 2019, would remove cannabis from the CSA, expunge federal cannabis offenses, and establish a 5% excise tax on cannabis to fund various federal grant programs. The SRSA, which was introduced by U.S. Senator Tina Smith on July 30, 2020, would remove cannabis from the CSA, grant the FDA authority to regulate cannabis and cannabis products, and regulate the safety and quality control of cannabis crops and the import and export of cannabis materials. Nevertheless, it is uncertain which federal marijuana reform bills, if any, will ultimately be passed and signed into law.

Businesses in the regulated cannabis industry, including the Company, are subject to a variety of laws and regulations in the United States that involve money laundering, financial recordkeeping, and proceeds of crime, including the Bank Secrecy Act and the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (the "USA PATRIOT Act") and the rules and regulations thereunder, and any related or similar rules, regulations, or guidelines, issued, administered, or enforced by governmental authorities in the United States. Further, under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be charged with money laundering, aiding and abetting, or conspiracy.

Despite these laws, the Financial Crimes Enforcement Network ("FinCEN"), a bureau within the U.S. Department of the Treasury ("U.S. Treasury"), issued a memorandum on February 14, 2014 (the "FinCEN Memorandum"), which provides instructions to banks and other financial institutions seeking to provide services to cannabis-related businesses. The FinCEN Memorandum explicitly references the Cole Priorities and states that in some circumstances it is permissible for banks and other financial institutions to provide services to cannabis-related businesses without risking prosecution for violation of U.S. federal money laundering laws. Under these guidelines, financial institutions are subject to a requirement to submit a suspicious activity report ("SAR") in certain circumstances as required by federal money laundering laws.

These cannabis related SARs are divided into three categories, marijuana limited, marijuana priority, and marijuana terminated, based on the financial institution's belief that the marijuana business follows state law, is operating out of compliance with state law, or where the banking relationship has been terminated, respectively. The FinCEN Memorandum refers to supplementary guidance in the Cole Memorandum relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the CSA.

Despite the rescission of the Cole Memorandum, this did not affect the status of the FinCEN Memorandum, and to date, the U.S. Treasury has not given any indication that it intends to rescind the FinCEN Memorandum.

While the FinCEN Memorandum was originally intended to work in tandem with the Cole Memorandum, the FinCEN Memorandum appears to remain in effect as standalone guidance. Although the FinCEN Memorandum remains intact, indicating that the U.S. Treasury and FinCEN intend to continue abiding by its guidance, it is unclear whether the Trump administration will continue to follow the guidelines set forth under the FinCEN Memorandum.

In March 2019, the U.S. House of Representatives Financial Services Committee passed the Secure and Fair Enforcement Banking Act (the "SAFE Banking Act"), which creates protections for financial institutions that provide banking services to businesses acting in compliance with applicable state cannabis laws. The U.S. Senate held a hearing on the SAFE Banking Act in July 2019. On September 25, 2019, the U.S. House of Representatives passed the SAFE Banking Act, but it is uncertain whether it will ultimately be passed by the U.S. Senate and signed into law. On May 15, 2020, the U.S. House of Representatives passed the Health and Economic Recovery Omnibus Emergency Solutions Act (the "HEROES Act"), which included the provisions of the SAFE Banking Act. The U.S. House of Representatives passed a more limited version of the HEROES Act on October 1, 2020, which also includes the provisions of the SAFE Banking Act. However, it is unclear whether the version of the HEROES ACT to be passed by the U.S. Senate and ultimately signed into law will include the provisions of the SAFE Banking Act.

There also can be no assurance that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. In addition, local and city ordinances may strictly limit and/or restrict the distribution of cannabis in a manner that could make it difficult or impossible to operate cannabis businesses in certain jurisdictions.

Hemp

On December 20, 2018, the U.S. Agriculture Improvement Act of 2018 (the "2018 Farm Bill") was signed into law. Prior to its enactment, the U.S. federal government did not distinguish between cannabis and hemp and the entire plant species Cannabis sativa L., subject to narrow exceptions applicable to specific portions of the plant, was scheduled as a controlled substance under the CSA. Therefore, the cultivation of hemp for any purpose in the United States without a Schedule I registration with the U.S. Drug Enforcement Agency ("DEA") was federally illegal, unless exempted by Section 7606 of the Agricultural Act of 2014 (the "2014 Farm Bill"). The 2018 Farm Bill removed hemp, the plant Cannabis sativa L. and any part of that plant with a delta-9 tetrahydrocannabinol concentration of not more than 0.3 percent on a dry weight basis, and its derivatives, extracts, and cannabinoids, including cannabidiol ("CBD") derived from hemp, from the definition of marijuana in the CSA, thereby removing hemp and its derivatives from DEA purview as a controlled substances. The 2018 Farm Bill also amends the Agricultural Marketing Act of 1946 to allow for the commercial production of hemp in the United States under the purview of the United States Department of Agriculture (the "USDA") in coordination with state departments of agriculture that elect to have primary regulatory authority over hemp production in their respective jurisdictions. Pursuant to the 2018 Farm Bill, states, U.S. territories, and tribal governments may adopt their own regulatory plans for hemp production even if more restrictive than federal regulations so long as they meet minimum federal standards and are approved by the USDA. Hemp production in states and tribal territories that do not choose to submit their own plans for hemp production and that do not prohibit hemp production will be governed by USDA regulation.

On October 31, 2019, the USDA issued an interim final rule governing the domestic production of hemp under the 2018 Farm Bill, establishing the U.S. Domestic Hemp Production Program (the "USDA IFR"). The USDA IFR will be effective from October 31, 2019 through November 1, 2021, at which time the USDA may adopt permanent regulations. The USDA IFR outlines the requirements for the USDA to approve plans submitted by states and tribal governments for the domestic production of hemp. It also establishes a federal plan for hemp producers in states or territories of Native American tribes that do not have USDA-approved hemp production plans. Pursuant to the USDA IFR, the USDA reviews hemp production plans submitted by state and tribal governments that wish to obtain or retain primary regulatory authority over hemp production in their respective jurisdictions. Once the USDA formally receives a plan from a state or tribal government, the agency has 60 days to review and approve or reject the plan.

Although the USDA IFR provides the framework for the USDA, state departments of agriculture, and tribal governments to begin the implementation of commercial hemp production programs pursuant to the 2018 Farm Bill, the 2014 Farm Bill was scheduled to remain in effect for one year after the effective date of the USDA IFR.

Accordingly, until the USDA approves a state or tribal hemp production plan and licenses are issued pursuant to a USDA-approved plan, the 2014 Farm Bill is currently the primary U.S. federal law governing domestic hemp production. The application of the hemp provisions of the 2014 Farm Bill was set to expire on October 31, 2020, at which time state programs would be required to comply with the 2018 Farm Bill regulations. However, with this deadline approaching, U.S. Senators and state agricultural departments requested an extension of the application of the 2014 Farm Bill and a delay of the implementation of the 2018 Farm Bill due to delays caused by COVID-19. On October 1, 2020, a Continuing Resolution passed by the U.S. House of Representatives and U.S. Senate was signed by President Trump to fund federal agencies at fiscal 2020 levels through December 11, 2020, which also extended the application of the hemp provisions of the 2014 Farm Bill and delayed the implementation of the 2018 Farm Bill for another year until October 31, 2021.

Under both the 2014 Farm Bill and the 2018 Farm Bill, states and tribal governments have authority to adopt regulatory regimes that are more restrictive than federal mandates or prohibit hemp production altogether. Accordingly, variance in hemp regulation across jurisdictions is likely to persist. Compliance with state hemp law, if any, is required under both the 2014 Farm Bill and 2018 Farm Bill.

As a result of the 2018 Farm Bill, federal law now provides that CBD derived from hemp is not a controlled substance under the CSA; however, CBD derived from hemp could still be considered a controlled substance under applicable state law. States take varying approaches to regulating the production and sale of hemp and hemp-derived CBD. While some states explicitly authorize and regulate the production and sale of CBD or otherwise provide legal protection for authorized individuals and businesses to engage in commercial hemp activities, other states maintain outdated drug laws that do not distinguish hemp or hemp-derived CBD from marijuana (or "cannabis" as used herein), resulting in hemp being classified as a controlled substance under certain state laws.

In these states, sale of CBD, notwithstanding its origin, is either restricted to state medical or adult-use cannabis program licensees or remains unlawful. Additionally, a number of states prohibit the sale of consumable CBD products based on the position of the U.S. Food and Drug Administration (the "FDA") set forth in the Federal Food, Drug & Cosmetic Act (the "FFDCA") that it is unlawful to introduce food containing added CBD or THC into interstate commerce, or to market CBD or THC products as or in dietary supplements regardless of whether the substances are hemp-derived.

The 2018 Farm Bill preserves the authority and jurisdiction of the FDA under the FFDCA to regulate the manufacture, marketing, and sale of food, drugs, dietary supplements, and cosmetics, including products that contain hemp extracts and derivatives such as CBD. As a producer and marketer of hemp-derived products, the Company is required to comply with FDA regulations applicable to the manufacturing and marketing of such products, including with respect to dietary supplements, food, and cosmetics. The FDA has not deemed CBD or other cannabinoids permissible for use in dietary supplements, as dietary ingredients, or as safe for use in food. The FDA has consistently taken the position that CBD is prohibited from being marketed as a dietary supplement or added to food because substantial clinical trials studying CBD as a new drug were made public prior to the marketing of any food or dietary supplements containing CBD.

To date, the FDA has issued warning letters to companies unlawfully marketing CBD products. In many of these cases, the manufacturer made unsubstantiated claims that products containing CBD are able to treat serious medical conditions, including cancer, Alzheimer's disease, opioid withdrawal, and anxiety, among others, without obtaining drug approvals. Some of these letters were co-signed with the U.S. Federal Trade Commission (the "FTC") and cited the companies for making claims about the efficacy of CBD that were not substantiated by competent and reliable scientific evidence.

The FDA has stated that it recognizes the potential opportunities and significant interest in drugs and consumer products containing CBD, is committed to evaluating the agency's regulatory policies related to CBD, and has established a high-level internal working group to explore potential pathways for various types of CBD products to be lawfully marketed. The FDA has authority to issue regulation that would allow these naturally occurring hemp compounds to be added to food or dietary supplements. In May 2019, the FDA held a public hearing to obtain scientific data and information about the safety, manufacturing, product quality, marketing, labeling, and sale of products containing cannabis or cannabis-derived compounds.

In connection with the Further Consolidated Appropriations Act, 2020, the House Committee on Appropriations issued an explanatory statement agreeing to appropriate $2 million in funding to the FDA for research, policy evaluation, market surveillance, and issuance of an enforcement discretion policy for products under the FDA's jurisdiction that contain CBD. The legislation requires the FDA to provide a report within 60 days regarding its progress in obtaining and analyzing data to help determine a policy of enforcement discretion and the process through which CBD will be evaluated for use in products. On March 5, 2020, the FDA provided a report on its progress and committed to expanding its educational efforts regarding CBD products, encouraging, facilitating, and initiating more research on CBD, continuing to monitor the CBD marketplace and take appropriate action against unlawful CBD products that pose a risk of harm to the public, and developing a risk-based enforcement policy aimed at protecting the public and providing more regulatory clarity regarding the FDA's CBD enforcement priorities. The FDA further announced that it is actively evaluating potential rulemaking to allow CBD in dietary supplements. The FDA is also required to conduct a sampling study of the current CBD marketplace to determine the extent to which products containing CBD are mislabeled or adulterated within 180 days of the enactment of the Further Consolidated Appropriations Act, 2020.

On July 9, 2020, the FDA issued its sampling study to the U.S. House Committee on Appropriations and the U.S. Senate Committee on Appropriations detailing the sampling conducted in recent years on CBD products. While the minority of CBD products previously tested by the FDA contained CBD concentrations consistent with their labeling, the report states that a majority of products tested for potentially harmful elements "did not raise significant public health concerns." The report further provides that the FDA will undertake a more extensive sampling effort expected to cover a representative sample of currently marketed CBD products, including tinctures, oils, extracts, capsules, powders, gummies, water and other beverages, conventional foods, cosmetics, lubricants, tampons, suppositories, vape cartridges, and products sold for consumption by pets. Products will be evaluated for cannabinoid content as well as potentially harmful elements.

The rules, regulations, and enforcement in this area continue to evolve and develop. Most recently, on August 20, 2020, the DEA issued an interim final rule conforming its regulations to the 2018 Farm Bill (the "DEA IFR"). The DEA IFR is subject to public comment through October 20, 2020. Notably, the DEA IFR creates uncertainty with respect to the federal legal status of any hemp derivative, extract, or product that exceeds a delta-9 tetrahydrocannabinol concentration of 0.3 percent during processing, which pursuant to the DEA IFR would render it a federal Schedule I substance under the CSA even if the hemp plant from which any such material is sourced does not exceed the 0.3 percent threshold.

Additionally, on September 4, 2020, the Hemp and Hemp-Derived CBD Consumer Protection and Market Stabilization Act of 2020 was introduced in the U.S. House of Representatives, which permits the inclusion of hemp and CBD derived from hemp as ingredients in dietary supplements that otherwise comply with the applicable requirements for dietary supplements set forth in the FFDCA and the Fair Packaging and Labeling Act. The bill does not address the inclusion of hemp or CBD derived from hemp as ingredients in food products, and it is unclear whether it will ultimately be passed and signed into law.

Accordingly, until legislation is enacted or the FDA formally adopts regulations authorizing the production and sale of CBD products as dietary supplements and/or food, there is a risk that the FDA could take enforcement action against the Company. Failure to comply with FDA requirements may result in, among other things, warning letters, injunctions, product withdrawals, recalls, seizures, fines, and criminal prosecutions. The Company is closely following legislative and regulatory developments with respect to CBD. The Company intends to monitor its compliance with applicable United States laws relating to hemp as they are enacted and evolve, including the FDA's regulations of CBD, and to evaluate and implement appropriate compliance measures on an ongoing basis.

Application of Cannabis Laws and Regulations in the United States

Violations of U.S. federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions, or settlements arising from either civil or criminal proceedings brought by either the U.S. federal government or private citizens, including, but not limited to, disgorgement of profits, seizure of property or products, cessation of business activities, or divestiture. The approach to the enforcement of cannabis laws may be subject to change or may not proceed as previously outlined. See "Risk Factors – Risks Specifically Related to the United States Regulatory System". The Company's cannabis business activities and the cannabis business activities of its subsidiaries, while believed to be compliant with applicable U.S. state and local laws, currently are illegal under U.S. federal law.

(In thousands of U.S. Dollars, unless stated otherwise)

Summary of Quarterly Results

	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019[1]	Q4 2018
Sales revenue	$ 40,616	$ 34,646	$ 30,426	$ 27,221	$ 22,341	$ 19,200	$ 9,620	$ 1,985
Net loss	(9,698)	(20,927)	(237,318)	(258,429)	(15,270)	(9,290)	(22,996)	(15,926)
Loss per share - basic and diluted	(0.06)	(0.12)	(1.38)	(1.63)	(0.09)	(0.06)	(0.19)	(0.25)

(1) Certain 2019 figures have been amended (see Note 3 of the condensed interim consolidated financial statements).

Sales revenue has increased quarter over quarter as a result of the Company's mergers and acquisitions as well as continued organic growth through retail, wholesale, and delivery channels across the states where the Company operates. The Company has opened 19 dispensaries since Q4 2018, increased cultivation capacity, expanded its wholesale and delivery programs, and has released new product offerings, all of which have contributed to consistent sales growth. The Company expects revenue to continue to grow as new dispensaries are opened in key markets including Florida, Massachusetts, New Jersey, and Nevada and as open and operating dispensaries continue to experience increased store traffic.

The Company continues to recognize net losses each quarter. During the last four quarters, the Company recognized total impairment charges to goodwill and intangible assets of $234,284, $199,364, $Nil, and $4,100, respectively. No impairment loss was recognized in the preceding quarters of 2019 or during 2018. Net losses each quarter are also attributable to increased salaries and employee benefits, depreciation and amortization charges and other general and administrative expenses largely due to the MPX Acquisition. The Company has also recognized accretion and interest expenses from its debt arrangements, which have contributed to net losses over the last eight quarters.

In the second quarter of 2020, the Company began implementing cost savings initiatives to accelerate profitability which contributed to the reduction in net loss for the three months ended September 30, 2020 as compared to the prior quarter.

(In thousands of U.S. Dollars, unless stated otherwise)

Results of Operations

Sales Revenue and Gross Profit

The Eastern region includes the Company's operations in Florida, Maryland, Massachusetts, New York, New Jersey, Vermont, and its CBD business. The Western region includes the Company's operations in Arizona, Colorado, New Mexico, and Nevada.

The following table summarizes sales revenue and gross profit for the three and nine months ended September 30, 2020 and 2019:

	For the three months ended September 30, 2020		
	Eastern Region	Western Region	Total
Sales revenue	$ 24,401	$ 16,215	$ 40,616
Cost of goods sold	(7,576)	(7,481)	(15,057)
Gross profit before fair value adjustments	**$ 16,825**	**$ 8,734**	**$ 25,559**
Fair value adjustment on sale of inventory	(10,559)	(1,639)	(12,198)
Fair value adjustment on biological assets	29,874	1,755	31,629
Gross profit	**$ 36,140**	**$ 8,850**	**$ 44,990**

	For the nine months ended September 30, 2020		
	Eastern Region	Western Region	Total
Sales revenue	$ 63,744	$ 41,944	$ 105,688
Cost of goods sold	(26,564)	(19,591)	(46,155)
Gross profit before fair value adjustments	**$ 37,180**	**$ 22,353**	**$ 59,533**
Fair value adjustment on sale of inventory	(22,787)	(4,918)	(27,705)
Fair value adjustment on biological assets	45,690	3,393	49,083
Gross profit	**$ 60,083**	**$ 20,828**	**$ 80,911**

(In thousands of U.S. Dollars, unless stated otherwise)

	For the three months ended September 30, 2019		
	Eastern Region	Western Region	Total
Sales revenue	$ 13,220	$ 9,121	$ 22,341
Cost of goods sold	(6,028)	(5,571)	(11,599)
Gross profit before fair value adjustments	**$ 7,192**	**$ 3,550**	**$ 10,742**
Fair value adjustment on sale of inventory	(4,228)	(1,843)	(6,071)
Fair value adjustment on biological assets	11,466	413	11,879
Gross profit	**$ 14,430**	**$ 2,120**	**$ 16,550**

	For the nine months ended September 30, 2019[1]		
	Eastern Region	Western Region	Total
Sales revenue	$ 27,560	$ 23,601	$ 51,161
Cost of goods sold	(11,599)	(18,649)	(30,248)
Gross profit before fair value adjustments	**$ 15,961**	**$ 4,952**	**$ 20,913**
Fair value adjustment on sale of inventory	(13,505)	(3,298)	(16,803)
Fair value adjustment on biological assets	22,678	2,035	24,713
Gross profit	**$ 25,134**	**$ 3,689**	**$ 28,823**

(1) Certain 2019 figures have been amended (see Note 3 of the condensed interim consolidated financial statements)

Eastern region

As of September 30, 2020, the Eastern region holds licenses to operate up to 18 dispensaries plus an uncapped number of dispensaries in Florida, and seven cultivation and/or processing facilities. The Company has 24 dispensaries, four cultivation and processing facilities, and one processing only facility currently open and operational in this region. This compares to 16 dispensaries and four cultivation and processing facilities, and one processing only facility open and operational as of September 30, 2019.

Sales revenue in the Eastern region was $24,401 and $63,744 for the three and nine months ended September 30, 2020, compared to $13,220 and $27,560 in the prior year periods, which represents an increase of $11,181 and $36,184 or 85% and 131% respectively. The increase in sales revenue was largely driven by the Company's operations in Florida as a result of new dispensary openings and strong same store sales growth. Across the Eastern region, the Company continues to experience steady organic growth within its retail, wholesale, and delivery channels. Revenue in the Eastern region for the three and nine months ended September 30, 2020 was partially offset by a decrease in wholesale revenue in Massachusetts and Maryland due to COVID-19.

The Company expects revenue to continue to increase in the Eastern region as new planned dispensaries are opened in Florida, Massachusetts, New Jersey, and New York, as permitted under its current licenses.

(In thousands of U.S. Dollars, unless stated otherwise)

Gross profit before fair value adjustments for the three and nine months ended September 30, 2020 was $16,825 and $37,180, representing a gross margin of 69% and 58%, respectively. This is compared to $7,192 and $15,961, or gross margins of 54% and 58% for the three and nine months ended September 30, 2019, respectively. The increase was primarily due to margin improvements in Maryland and Florida. In Maryland, during the three and ninth months ended September 30, 2020, the Company sold more high margin in-house products than in the same period in the prior year. In Florida, during the three and nine months ended September 30, 2020, the Company had a more favorable sales mix with 74% of sales attributable to flower products compared to 57% in the same period in the prior year.

The Company harvested 3,859 and 16,756 pounds of plant material in the Eastern region during the three and nine months ended September 30, 2020 as compared to 3,463 and 8,803 pounds of plant material during the three and nine months ended September 30, 2019.

Western region

As of September 30, 2020, the Western region holds licenses to operate up to 16 dispensaries and eight cultivation and processing facilities. Thirteen dispensaries and eight cultivation and processing facilities with capacity for additional cultivation buildout are currently open and operational in this region. This compares to eight dispensaries and four cultivation and processing facilities open and operational as of September 30, 2019.

Sales revenue in the Western region was $16,215 and $41,944 for the three and nine months ended September 30, 2020, compared to $9,121 and $23,601 in the prior year period, which represents an increase of $7,094 and $18,343 or 77% and 78% respectively. The increase in sales revenue was driven by strong growth from both retail and wholesale channels. In Arizona, same-store sales increased 17% from the prior quarter and 74% from the prior year period and wholesale revenue from the Company's operations in Nevada showed sequential quarterly growth as COVID restrictions were loosened in the state.

Gross profit before fair value adjustments for the three and nine months ended September 30, 2020 was $8,734 and $22,353, representing a gross margin of 54% and 53%, respectively. This is compared to $3,550 and $4,952, or gross margins of 39% and 21%, for the three and nine months ended September 30, 2019, respectively. The increase was mainly attributable to the fair value adjustments on inventory from the purchase price allocation of MPX which are included in cost of goods sold in the prior year periods.

The Company harvested 1,685 and 5,128 pounds of plant material in the Western region during the three and nine months ended September 30, 2020 as compared to 1,583 and 3,949 pounds of plant material during the three and nine months ended September 30, 2019. Since the MPX Acquisition in February 2019, both the Eastern region and the Western region have increased their cultivation activity which has resulted in higher fair value adjustments on biological assets as compared to prior periods. As a result of increased sales revenue, fair value adjustments on the sale of inventory have also increased for the three and nine months ended September 30, 2020.

Operating Expenses

	Three months ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
General and administrative	$ 5,548	$ 6,029	$ 16,684	$ 14,439
Salaries and employee benefits	9,091	9,261	29,100	23,467
Share-based compensation	324	9,537	4,290	20,770
Depreciation and amortization	7,728	5,294	21,616	13,847
Professional fees	6,192	4,569	15,618	13,044
Acquisition-related costs	-	236	-	6,468
Impairment loss	4,100	-	203,464	-
TOTAL	$ 32,983	$ 34,926	$ 290,772	$ 92,035

General and administrative

General and administrative expenses decreased $481 to $5,548 for the three months ended September 30, 2020 as compared to $6,029 in the prior year quarter. The decrease was attributable to cost savings initiatives which began at the beginning of Q2 2020. For the nine months ended September 30, 2020, general and administrative expenses were $16,684, representing a 16% increase over the prior year period. The increase resulted from higher facility, insurance, and technology costs attributable to general expansion of the Company offset by reductions in rent expense, travel and entertainment, and other office expenses.

Salaries, employee benefits and share-based compensation

During the three months ended September 30, 2020, salaries and employee benefits decreased by $170 or 2% over the prior year quarter. This is a result of headcount reductions as part of the Company's cost saving initiatives which began at the beginning of Q2 2020. During the nine months ended September 30, 2020, salaries and employee benefits increased by $5,633 or 24% over the prior year period. The increase in salaries and employee benefits was primarily due to an increase in corporate headcount and inclusion of MPX and CBD headcount expenses for the full nine-month period. As a result of the decline of the Company's share price and the forfeitures of certain executive and employee options during the quarter, share-based compensation decreased by 97% compared to the prior year period. The Company expects that personnel costs will continue to grow in line with planned expansion in Massachusetts, Florida, New Jersey, and New York as new dispensaries are opened and as cultivation facilities are built out.

Depreciation and amortization

During the three and nine months ended September 30, 2020, depreciation and amortization expense increased $2,434 and $7,769 over the prior year periods. The increase was primarily due to capital projects and related expenditures in Florida, Maryland and New Jersey, which in aggregate increased the depreciable asset base by $27,635 over the prior year period. Further, the Company began amortization of the licenses, trademarks, and other intangibles recognized from the acquisitions of MPX and CBD For Life in the third and fourth quarter of 2019, respectively, upon finalization of the purchase price allocations. The three and nine months ended September 30, 2020 include $1,785 and $5,356 in amortization of intangibles acquired as part of the MPX and CBD For Life acquisitions as compared to $1,629 and $4,356 for the three and nine months ended September 30, 2019. The Company expects depreciation and amortization expense to increase as new dispensaries are opened and as cultivation facilities are built out.

Professional fees

Professional fees increased 36% and 20% for the three and nine months ended September 30, 2020, as compared to the prior year periods. The increases were primarily due to advisory fees related to Company's strategic alternatives review process and the Recapitalization Transaction. The Company expects professional fees to remain consistent over the subsequent quarters as the Company closes the Recapitalization Transaction.

Acquisition-related costs

Acquisition-related costs are transaction based and are directly related to businesses acquired during the period. For the three and nine months ended September 30, 2020, the Company did not make any acquisitions. As a result, acquisition-related costs are $Nil and $Nil for the three and nine months ended September 30, 2020. Expenses in the same period in the prior year relate to the MPX Acquisition and the acquisition of CBD For Life.

Impairment loss

The carrying amount of the Company's goodwill is tested at least annually for impairment. At the end of each reporting period, the Company assesses whether there are any indicators that an asset may be impaired. If any indicators are identified, the Company may test for impairment prior to year-end. As of March 31, 2020, as a result of the continued decline in the Company's stock price and market capitalization, the carrying value of the Company's total net assets exceeded the Company's market capitalization. As a result, in the first quarter of 2020, the Company recognized an impairment charge of $199,364, of which $47,994 was attributable to the Eastern region and $151,369 was attributable to the Western region. As of September 30, 2020, the Company's goodwill balance was $Nil.

In December 2018, GMNV was awarded four conditional adult-use dispensary licenses ("Marijuana Retail Store(s)") by the Nevada Department of Taxation which was later replaced by the Nevada Cannabis Compliance Board ("CCB"). The CCB awardment of the conditional adult-use Marijuana Retail Store licenses was challenged by several unsuccessful applicants in an action in Nevada state court. On July 29, 2020, the CCB and certain plaintiffs and intervenors, including GMNV, executed a partial settlement of the litigation (the "Settling Agreement") pursuant to which certain intervenors are required to transfer dispensary licenses to certain plaintiffs, subject to several conditions, in consideration for an extension of the deadline to perfect the Marijuana Retail Stores from December 5, 2020 to February 5, 2022, among other benefits. As part of the settlement agreement, GMNV will transfer one of its dispensary licenses (the "Conditional License") to a settling plaintiff subject to several conditions, including the resolution of the injunction preventing the CCB from conducting final license inspections on the intervenors in the litigation, including GMNV.

(In thousands of U.S. Dollars, unless stated otherwise)

On August 11, 2020, the CCB filed a notice to remove GMNV, among other defendants, from the list of defendants for which the CCB was enjoined from conducting a final inspection thereby fulfilling one of the conditions required to be completed for GMNV to transfer its license to a plaintiff in the action. On November 6, 2020, GMNV executed the necessary transfer paperwork to transfer its Conditional License to the settling plaintiff in accordance with the Settlement Agreement. GMNV expects the transfer to be effective by year end.

As an indicator of impairment existed as of September 30, 2020, an impairment test was performed. The Company determined the fair value less cost of disposal to estimate the recoverable amount of the Conditional License using the income approach as of September 30, 2020 and concluded the value to be $Nil. As a result, an impairment loss of $4,100, the total carrying amount of the Conditional License, was recorded to intangible assets in the Western Region for the nine months ended September 30, 2020 (September 30, 2019 - $Nil).

Other Items

	Three months ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Other income	$ (523)	$ (136)	$ (927)	$ (389)
Interest expense	7,076	3,722	19,504	9,538
Accretion expense	3,594	1,868	10,073	7,990
Provision for debt obligation fees	423	-	13,342	-
Gain from change in fair value of financial instruments	(217)	(10,223)	(1,855)	(36,214)
Other losses (gains)	(34)	(701)	(104)	(250)
TOTAL	**$ 10,319**	**$ (5,470)**	**$ 40,033**	**$ (19,325)**

The Company has issued new debt and assumed debt via the MPX Acquisition since January 1, 2019, as follows:

- Secured notes issued in May 2018 (the "Tranche One Secured Notes");
- OID Loan assumed in February 2019 through the MPX Acquisition and fully redeemed in the second quarter of 2019;
- Stavola Trust Note in February 2019 through the MPX Acquisition and fully repaid in the first quarter of 2020;
- Unsecured debentures issued in March 2019 (the "March 2019 Unsecured Debentures");
- Unsecured debentures issued in May 2019 (the "May 2019 Unsecured Debentures");
- Secured notes in September 2019 (the "Tranche Two Secured Notes");
- Secured notes in December 2019 (the "Tranche Three Secured Notes"); and
- Secured notes in July 2020 (the "Tranche Four Secured Notes").

As a result of certain of these existing debt arrangements, the Company continues to recognize interest and accretion expenses each period.

Provision for debt obligation fees

During the nine months ended September 30, 2020, due to liquidity constraints experienced by the Company, the Company did not make interest payments due to the lenders of the Company's 13% senior secured convertible debentures (the "Secured Notes") and Unsecured Debentures. As a result of the default, the Company is required to pay an exit fee of $10,000 that accrues interest at a rate of 13% (the "Exit Fee") upon maturity of the Tranche One Secured Notes, unless the note is paid in advance of the maturity date. During the nine months ended September 30, 2020, the Company has accrued $13,342 related to the Exit Fee. This provision is comprised of $10,339 inclusive of the $10,000 Exit Fee and $339 of waived cash interest payment that was due on September 30, 2020 and accrued interest of $3,003 (see Note 10 of the condensed interim consolidated financial statements for further discussion).

Gain from change in fair value of financial instruments

The Company's gain from change in fair value of financial instruments is the result of the revaluation of the derivative component of compound financial instruments each reporting period. The Company uses the Black-Scholes valuation model to determine the fair value of the derivate component of compound financial instruments each reporting period. Key inputs to the model are current share price, volatility, and a risk-free rate. The significant decrease in the gain from change in fair value of financial instruments over the prior periods is due to the devaluation of the liability, which resulted from the decline in the Company's share price during the nine months ended September 30, 2020.

Liquidity and Capital Resource Management

Liquidity

The Company's financing needs have historically fluctuated from period to period based on the ongoing development of its operations. Management consistently monitors its cash flows and assesses the liquidity necessary to fund both operations and development. The Company's ability to continue in the normal course of operations is dependent on its ability to raise sufficient capital to maintain operations. There are no assurances that the Company will be successful in achieving this goal. For the nine months ended September 30, 2020, the Company reported a comprehensive net loss of $267,942, operating cash outflows of $6,029, and an accumulated deficit of $652,787 as of September 30, 2020. These material circumstances cast substantial doubt on the Company's ability to continue as a going concern for a period of no less than 12 months. The condensed interim consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

Historically, the Company has had access to equity and debt financing from the public and prospectus-exempt (private placement) markets, including:

- In March 2019, the Company completed a private placement of $35,000 of unsecured convertible debentures, which mature on March 15, 2023, and accrue interest of 8.0%. This placement is convertible into an aggregate of 5,912,159 common shares at $5.92 per common share;
- In May 2019, the Company completed a private placement of $25,000 of unsecured convertible debentures, which mature on March 15, 2023, and accrue interest of 8.0%. This placement is convertible into an aggregate of 4,222,971 common shares at $5.92 per common share;
- In September 2019, the Company issued an additional $20,000 of secured notes, which mature on May 14, 2021, and accrue interest at 13.0%. This placement is convertible into an aggregate of 10,582,011 common shares at $1.89 per share. The Company concurrently issued warrants to purchase, in aggregate, up to 5,076,142 shares of the Company at $1.97 per common share;
- In December 2019, the Company issued an additional $36,150 of secured notes, which mature on May 14, 2021, and accrue interest at 13.0%. This placement is convertible into an aggregate of 22,448,415 common shares at $1.61 per share. The Company concurrently issued warrants to purchase, in aggregate, up to 10,792,508 shares of the Company at $1.67 per common share; and
- In July 2020, the Company issued an additional of $14,737 of secured notes, which mature on July 13, 2025 and accrue interest at 8.0% and is not convertible.

Commercial banks, private equity firms, and venture capital firms have approached the cannabis industry with caution to date. However, there are increasing numbers of high net worth individuals and family offices that have made meaningful investments in companies and projects similar to the Company's projects. Although there has been an increase in the amount of private capital available over the last several years, there is neither a broad nor deep pool of institutional capital that is available to cannabis license holders and/or applicants in the United States. There can be no assurance that additional capital, if raised privately, will be available to the Company when needed or on terms that are acceptable. The Company's potential inability to raise capital to fund capital expenditures or acquisitions may cast substantial doubt on its ability to grow and may have a material adverse effect on future profitability.

The terms of the currently outstanding Secured Notes impose certain restrictions on the Company's operating and financing activities, including certain restrictions on the Company's ability to incur certain additional indebtedness, grant liens, make certain dividends and other payment restrictions affecting the Company's subsidiaries, issue shares or convertible securities, and sell certain assets. The terms also contain a financial covenant requiring the Company's asset value to be 1.75 times the total net debt at each quarter end (the "market value test") and maintain a minimum cash balance of $1.0 million while the Secured Notes remain outstanding. The financing is secured by all current and future assets of the Company and the rights of the remaining lenders are subordinate to the Secured Notes. As part of the second amended and restated Debenture Purchase Agreement, dated July 13, 2020 (the "DPA"), which now governs all four tranches of the Secured Notes, the Company is no longer required to perform the market value test at each quarter end.

As of March 31, 2020, the Company was not in compliance with the market value test, and therefore in breach of a financial covenant for the Tranche One Secured Notes, Tranche Two Secured Notes, and Tranche Three Secured Notes. Due to the liquidity constraints experienced by the Company, the Company did not make interest payments due for the three and nine months ended September 30, 2020 to the lenders of the Company's Secured Notes and Unsecured Debentures (together the "Lenders") as described more fully in Note 10 to the condensed interim consolidated financial statements. The Company attempted to negotiate with the holders of the Secured Notes for temporary relief of the Company's interest obligations due March 31, 2020, but the parties were unable to reach a satisfactory agreement. This non-payment of interest triggered an event of default with respect to the Company's long-term debt, consisting of principal amounts at face value of $97,508 and $60,000 and accrued interest amounts at September 30, 2020 of $11,110 and $3,600 for the Tranche One Secured Notes, Tranche Two Secured Notes, Tranche Three Secured Notes, and the Unsecured Debentures, respectively. In the event of a default, all amounts, including interest and principal, become immediately due and payable to the holders of the Secured Notes and Unsecured Debentures and the interest rate increases by 3.0% to 16.0% per annum for the Secured Notes.

As a result of the default, the Company is classifying the Tranche One Secured Notes, Tranche Two Secured Notes, and Tranche Three Secured Notes, March 2019 Unsecured Debentures, and May 2019 Unsecured Debentures as current liabilities on the condensed interim consolidated statement of financial position. As of September 30, 2020, the Company was still in default on the Tranche One Secured Notes, Tranche Two Secured Notes, Tranche Three Secured Notes, and the Unsecured Debentures.

Under the provisions of its arrangement with holders of the Secured Notes, the Company is required to pay the Exit Fee. The Exit Fee is forgiven and cancelled in full if, no later than five days prior to the maturity date, the Company pays the amounts outstanding at such time (other than the Exit Fee) in full. However, if an event of default occurs and is not waived or cured, and obligations under the Secured Notes are subject to an accelerated payment and the Exit Fee also becomes due and payable by the Company upon the event of default. Under such event, upon the payment of the Exit Fee along with all other obligations then outstanding on the Secured Notes by the Company, the noteholders are required to transfer to a nominee of the Company the 3,891,051 shares issued under the $10,000 equity financing that closed concurrently with the Tranche One Secured Notes. As a result of the event of default, the Company accrued the Exit Fee and interest of $13,342 in full for the nine months ended September 30, 2020.

On June 22, 2020, the Company received notice from Gotham Green Admin 1, LLC (the "Collateral Agent"), as collateral agent holding security for the benefit of the holders of the Company's Secured Notes, with a demand for repayment (the "Demand Letter") under the Amended and Restated Secured Debenture Purchase Agreement dated October 10, 2019 (the "Purchase Agreement") of the entire principal amount, together with interest, fees, costs and other allowable charges that have accrued or may accrue in accordance with the Purchase Agreement and the other Transaction Agreements (as defined in the Purchase Agreement). The Collateral Agent also concurrently provided the Company with a Notice of Intention to Enforce Security (the "BIA Notices") under section 244 of the Bankruptcy and Insolvency Act (Canada) (the "BIA").

On July 13, 2020, the Company announced that it had entered into a Restructuring Support Agreement (as defined below) to effect a proposed recapitalization transaction (the "Recapitalization Transaction") with its Lenders as more fully discussed in Note 17 of the condensed interim consolidated financial statements as well as to provide interim financing of $14,737 to address the Company's immediate working capital and liquidity needs.

In connection with the Recapitalization Transaction, the Company and certain of its subsidiaries have entered into a restructuring support agreement (the "Restructuring Support Agreement") with all of the holders (the "Secured Lenders") of the Secured Notes, and certain holders of (the "Unsecured Debentureholders") of the Unsecured Debentures issued by the Company and which hold in the aggregate over 91% of the principal amount of Unsecured Debentures (the "Initial Consenting Unsecured Debentureholders").

The Recapitalization Transaction is expected to significantly reduce the Company's outstanding indebtedness and annual interest costs, improve its capital structure and liquidity, and result in an enhanced financial foundation for the Company. Subject to compliance with the Restructuring Support Agreement, the Secured Lenders and Initial Consenting Unsecured Debentureholders will forbear from further exercising any rights or remedies in connection with any events of default of the Company now or hereafter occurring under their respective agreements and will stop any current or pending enforcement actions respecting same.

On September 14, 2020, at the meetings of Secured Lenders, Initial Consenting Unsecured Debentureholders and Existing Equityholders (each as defined below and, collectively, the "Securityholders"), Securityholders voted overwhelmingly in support of the Recapitalization Transaction to be implemented by way of a court-approved plan of arrangement under the British Columbia Business Corporations Act (the "Plan of Arrangement").

On October 5, 2020, the Company received final approval from the Supreme Court of British Columbia (the "Court") for the Company's Plan of Arrangement approved by securityholders on September 14, 2020 to implement the Company's previously announced Recapitalization Transaction.

The Recapitalization Transaction is subject to necessary legal, regulatory, and stock exchange approvals. At present, there can be no assurance that the Company will receive the necessary approvals to conclude the Recapitalization Transactions.

Additional details on the Recapitalization Transaction can be found in Note 17 to the condensed interim consolidated financial statements for the three and nine months ended September 30, 2020.

Working Capital

For the nine months ended September 30, 2020, the Company had negative working capital of $130,069 compared to working capital of $42,931 as of December 31, 2019. Due to the event of default discussed above, obligations under the Secured Notes and the Unsecured Debentures were classified as current as of September 30, 2020.

Cash Flows

As of September 30, 2020, the Company held cash of $9,720 and restricted cash of $4,938 compared to $34,821 and $Nil as of December 31, 2019. The decrease in cash was largely due to fewer financings during the nine months ended September 30, 2020.

(In thousands of U.S. Dollars, unless stated otherwise)

Cash Flow from Operating Activities

Cash used in operating activities for the nine months ended September 30, 2020, was $6,029 compared to $13,982 in the comparative period. Higher spending in the prior period was a result of the MPX and CBD For Life acquisitions during the nine months ended September 30, 2019. Cash used in operating activities further decreased for the three months ended September 30, 2020, as a result of the Company's cost saving initiatives which began in Q2 2020. Cash outflows from operating activities were primarily related to general and administrative expenses, salaries and employee benefits, and professional fees.

Cash Flow from Investing Activities

Cash used in investing activities during the nine months ended September 30, 2020, was $11,071 compared to $49,597 in the comparative period.

During the nine months ended September 30, 2020, the Company's cash outflows related to investing activities were as follows:

- $12,297 – purchase of fixed assets; and
- $459 – purchase of intangible assets.

This was offset by inflows of:

- $1,685 – proceeds from sale of assets held for sale.

Cash Flow from Financing Activities

Cash used in financing activities during the nine months ended September 30, 2020, was $3,063 as compared to cash inflows of $84,146 during the same period in 2019. Significant cash used in financing activities during the nine months ended September 30, 2020 include:

- $10,838 – repayment of Stavola Trust Note; and
- $4,397 – interest and principal payments on lease obligations.

This was offset by inflows of:

- $12,507 – issuance of secured debt in July 2020.

Contractual Obligations

The following table summarizes the Company's significant contractual obligations as of September 30, 2020:

USD DENOMINATED	< 1 YEAR	1-2 YEARS	3-5 YEARS	> 5 YEARS	TOTAL
Payables and accrued liabilities	$ 62,533	$ -	$ -	$ -	$ 62,533
Long-term debt	206,240	1,660	2,683	16,955	227,538
Finance leases	7,415	7,370	14,410	64,905	94,100
Service contracts	262	5	-	-	267
Construction contracts	40	-	-	-	40
TOTAL USD DENOMINATED	**$ 276,490**	**$ 9,035**	**$ 17,093**	**$ 81,860**	**$ 384,478**

CAD DENOMINATED					
Payables and accrued liabilities	$ 2,026	$ -	$ -	$ -	$ 2,026
TOTAL CAD DENOMINATED	**$ 2,026**	**$ -**	**$ -**	**$ -**	**$ 2,026**

(In thousands of U.S. Dollars, unless stated otherwise)

Payables and accrued liabilities are primarily composed of capital expenditure contracts, professional fees, general and administrative and taxes. Long-term debt consists of Secured Notes and Unsecured Debentures, and outstanding mortgages. The Company's contractual obligations include: contracts entered into with consultants, advisors, and construction companies; leases for the Company's offices, dispensaries, cultivation and processing facilities; vehicles; and computer software. As part of the Company's plan to continue the build out of its operations, further capital expenditures that have yet to be committed will be required.

On May 23, 2019, the Company established a line of credit with Zia Integrated, LLC, ("Zia") a cannabis management and consulting firm based in Maryland, permitting Zia drawdowns of up to an aggregate of $15,000. For each drawdown made by Zia, a convertible promissory note will be issued between the Company and Zia. As of the date of filing of the condensed interim consolidated financial statements, no drawdowns have been made on the line of credit and the principal amount on the convertible promissory note is $Nil.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements as of September 30, 2020.

Share Capital

The following table summarizes the Company's share capital information as of November 27, 2020.

	Number Outstanding
Common Shares issued and outstanding	171,718,192
Options to purchase Common Shares	12,370,484
Warrants	49,236,082
MPX dilutive instruments[1]	407,876
Convertible Debentures	10,135,130
Secured Notes	46,458,275
Fully diluted shares outstanding	290,326,039

(1) Prior to the MPX Acquisition, MPX had instruments outstanding that were potentially dilutive and as a result of the MPX Acquisition, the Company assumed certain of these instruments.

Additional Information

Critical Accounting Estimates and Judgements

The preparation of condensed interim consolidated financial statements in accordance with IFRS requires management to make judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses.

The critical accounting estimates and judgements are disclosed in full in the Company's 2019 consolidated financial statements.

Financial Instruments

The Company is exposed to a variety of financial instrument related risks. Management mitigates these risks by assessing, monitoring, and approving the Company's risk management processes. The financial instruments and related risk management strategies are disclosed in full in the Company's 2019 consolidated financial statements. The instruments and risk management strategies remain unchanged for the current quarter.

Transactions with Related Parties

Due from (to) related parties as of December 31, 2018	$	391
Related party due to balance acquired		(9,533)
Payments to and on behalf of related parties		777
Repayments made to related parties		31
Payments received from related parties		(1,199)
Due from (to) related parties as of December 31, 2019	$	(9,533)
Payments to and on behalf of related parties		2,257
Repayments made to related parties		10,800
Payments received from related parties		(262)
Due from (to) related parties as of September 30, 2020	$	3,262

As part of the MPX Acquisition, the Company acquired the following significant related party balances:

- Related party receivable of $664 is due from a Company owned by a former director and officer of the Company, Elizabeth Stavola. The related party receivable was converted into a total loan facility of up to $10,000, which accrues interest at the rate of 16.0%, compounded annually. Interest is due upon maturity of the loan on December 31, 2021. The balance was $3,016 as of September 30, 2020 (December 31, 2019 – $763), which includes accrued interest of $239 (December 31, 2019 - $22). The related party balances are presented in the other assets line on the condensed interim consolidated statement of financial position; and

- Related party term loan of $10,800 is due to a trust whose beneficiary is a former director and officer of the Company, Elizabeth Stavola. For the three and nine months ended September 30, 2020, interest expense of $Nil and $24 (September 30, 2019 – $216 and $563) was recognized in the condensed interim consolidated statement of loss and comprehensive loss. On January 10, 2020, the Stavola Trust Note was repaid in full. Refer to Note 10 of the condensed interim consolidated financial statements for further discussion.

On August 4, 2020, Elizabeth Stavola resigned as a director and officer of the Company.

As of September 30, 2020, the Company had a loan due from a former director and officer of the Company Hadley Ford ("Ford"), with a balance of $107 (December 31, 2019 - $391). This balance is presented net of management's estimate of accrued compensation of $284 owed to Ford. The total loan facility is up to CAD$500 (equivalent $391) and accrues interest at the rate of 2.5%. Interest is due upon maturity of the loan on June 30, 2020. Accrued interest on the loan for the nine months ended September 30, 2020, was CAD$40 (equivalent $30) (December 31, 2019 - CAD$30 or equivalent $23). The related party balance is presented in the other current assets line on the condensed interim consolidated statement of financial position. As part of Ford's termination agreement, the maturity date of the loan was extended to June 30, 2021.

On December 21, 2019, Ford was personally issued a loan by the managing member of Gotham Green Partners (the "Managing Member"), the entity which holds the Secured Notes issued by the Company (refer to Note 10 of the condensed interim consolidated financial statements for further discussion). As of the date of issuance of this MD&A, the Managing Member is also an insider of the Company as defined by applicable Canadian securities laws. The loan was non-interest bearing and was due on March 31, 2020. In February 2020, the Board of Directors (the "Board") formed a Special Committee to conduct an investigation related to the loan. The Special Committee concluded, and the Board accepted, that the failure to disclose such personal loans to the Board was a breach of the Company's conflict policies and other obligations as an officer and director of the Company. On April 27, 2020, the Board accepted Ford's resignation as a director and officer of the Company and as director and officer of the Company's subsidiaries.

Legal Proceedings

The Company has been named as a defendant in several legal actions and is subject to various risks and contingencies arising in the normal course of business. Based on consultation with legal counsel, management is of the opinion that the outcome of these uncertainties will not have a material adverse effect on the Company's financial position, except as disclosed below.

The events that allegedly gave rise to the following claims which occurred prior to the Company's closing of the MPX Acquisition are as follows:

- There is a claim from a former consultant against MPX, with respect to alleged consulting fees owed by MPX to the consultant, claiming the right to receive approximately $500 and punitive damages;
- There is a claim from two former noteholders against ICH and MPX ULC, with respect to alleged payments of $1,250 made by the noteholders to MPX; and
- There is a claim against ICH, MPX ULC and MPX, with respect to a prior acquisition made by MPX in relation to a subsidiary that was not acquired by the Company as part of the MPX Acquisition, claiming $3,000 in connection with alleged contractual obligations of MPX.

In addition, the Company is currently reviewing the following matters with legal counsel and has not yet determined the range of potential losses with respect thereto:

There is a claim against the Company, for shares owed to prior shareholders of GrowHealthy Holdings, LLC ("GHH"), in relation to the Company acquiring substantially all the assets of GHH. During the nine months ended September 30, 2020, the claim was amended to also include monetary damages for an unspecified amount.

On March 4, 2020, a security services firm filed a complaint against McCrory's, GHHIA, GHP, and IHF, collectively, claiming $950 in damages, as a result of an alleged breach of a contractual relationship by McCrory's, GHHIA, GHP, and IHF.

On April 19, 2020, Hi-Med LLC ("Hi-Med"), an equity holder and one of the Unsecured Debentureholders of the Company in the principal amount of $5,000, filed a complaint with the United States District Court (the "USDC") against the Company (the "Hi-Med Complaint"). Hi-Med is seeking damages for an unspecified amount and other remedies against the Company, for among other things, alleged breaches of provisions of the Unsecured Debentures and the related Debenture Purchase Agreement. On November 20, 2020, the Company filed a Motion to Dismiss the Hi-Med Complaint.

Subsequently, on June 29, 2020, Hi-Med filed a claim in the Supreme Court of British Columbia (the "Court"), which mirrors the Hi-Med Complaint. Refer to Note 10 of the condensed interim consolidated financial statements for further discussion on the Unsecured Debentures.

On April 20, 2020, a shareholder filed a class action lawsuit with the USDC against the Company (the "Class Action Lawsuit"), and is seeking damages for an unspecified amount against the Company for alleged false and misleading statements regarding certain proceeds from the issuance of long-term debt, that were held in escrow to make interest payments in the event of default on such long-term debt. On July 9, 2020, the USDC issued an order consolidating the Class Action Lawsuit and the Hi-Med Complaint and appointed a lead plaintiff ("Lead Plaintiff"). On September 4, 2020, the Lead Plaintiff filed a consolidated amended class action lawsuit against the Company (the "Amended Complaint"). On November 20, 2020, the Company filed a Motion to Dismiss the Amended Complaint.

On July 13, 2020, the Company announced a proposed Recapitalization Transaction. On September 14, 2020, at the meetings of Secured Lenders, Unsecured Debentureholders and Existing Equityholders (collectively, the "Securityholders"), Securityholders voted in support of the Recapitalization Transaction. On October 5, 2020, the Company received final approval from the Court for the Plan of Arrangement. Completion of the Recapitalization Transaction will be subject to, among other things, such other approvals, including receipt of all necessary regulatory and stock exchange approvals. As such, no amounts have been accrued with respect to the Recapitalization Transaction. Subsequent to September 30, 2020, the Company received a notice of appeal with respect to the final approval for the Plan of Arrangement by the Court.

On July 23, 2020, a proposed class action was issued in the Ontario Superior Court of Justice in Toronto against the Company, the Company's former CEO, and the Company's CFO. The plaintiff seeks to certify the proposed class action on behalf of all persons, other than any executive level employee of the Company and their immediate families, who acquired the Company's common shares in the secondary market on or after May 30, 2019, and who held some or all of those securities until after the close of trading on April 5, 2020. Among other things, the plaintiff alleges statutory and common law misrepresentation, and seeks an unspecified amount of damages together with interest and costs. The certification motion and leave to proceed motion for a secondary market claim under the Securities Act (Ontario) have not yet been scheduled.

During the nine months ended September 30, 2020, the Company filed a statement of claim against Oasis Investments II Master Fund Ltd. ("Oasis"), an Unsecured Debentureholder, in the Ontario Superior Court of Justice. In response to the Company's statement of claim, Oasis filed a defence and counterclaim, alleging that the Company breached certain debt covenants and seeking an order that the Company repay the debt instrument in the amount of $25,000 including interest and related fees.

On July 13, 2020, in connection with the proposed Recapitalization Transaction, the Company has agreed to discontinue with prejudice its litigation claim which it made on February 27, 2020 against Oasis (regardless of whether the Recapitalization Transaction is consummated), and Oasis has agreed, while the Restructuring Support Agreement is in effect, not to take any steps in connection with its counterclaim against the Company. In addition, the Company and Oasis have agreed that the counterclaim by Oasis against the Company will be dismissed as a condition of closing of the Recapitalization Transaction.

During the nine months ended September 30, 2020, the Company received demand letters (the "Employee Demand Letters") from two former employees, claiming combined damages of $1,500. As of the date of filing the condensed interim consolidated financial statements, there are no formal complaints filed, and it remains uncertain if any amount is owed to the former employees as part of the Employee Demand Letters.

Events After the Reporting Period

Interim Financing

Refer to the Liquidity and Capital Resources section of this MD&A for further discussion.

Event of Default and Financial Restructuring

Refer to the Liquidity and Capital Resources section of this MD&A for further discussion as well as Note 17 of the condensed interim consolidated financial statements for the three and nine months ended September 30, 2020.

Redemption of Ownership Interest in RGA

On October 22, 2020, the Company's 24.6% equity interest in RGA was redeemed for approximately $2.4 million. RGA is owned in part by an individual with a familial relationship to Ford, a former director and officer of the Company. Refer to Note 13 of the condensed interim consolidated financial statements for further discussion.

(In thousands of U.S. Dollars, unless stated otherwise)

Regulatory Environment: Issues with U.S. Cannabis-Related Assets

Canadian Securities Administrators Staff Notice 51-352 (Revised) – Issuers with U.S. Marijuana-Related Activities ("Staff Notice 51-352") provides specific disclosure expectations for issuers that currently have or are in the process of developing cannabis-related activities in the United States as permitted within a particular state's regulatory framework. All issuers with United States cannabis-related activities are expected to clearly and prominently disclose certain prescribed information in prospectus filings and other required disclosure documents.

In accordance with Staff Notice 51-352, the Company will evaluate, monitor, and reassess the disclosures contained herein and any related risks on an ongoing basis and the same will be supplemented, amended, and communicated to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws, or regulations regarding cannabis regulation. As a result of the Company's investments in certain United States entities as set forth herein, the Company is subject to Staff Notice 51-352 and accordingly provides the following disclosure.

Operation

The Company currently operates in the United States as more specifically described below.

State	Licensed Entity[1]	Type of Investment	Permitted Number of Facilities
Arizona	**ABACA, Inc. ("ABACA")** **The Healing Center Wellness Center, Inc. ("THCWC")** **Health for Life, Inc. ("HFL")** **Soothing Options, Inc. ("Soothing Options")**	See Note 2	4 dispensaries[3] 8 cultivation[3] 8 processing[3]
Colorado	See Note 4	See Note 4	See Note 4
Florida	**McCrory's Sunny Hill Nursery, LLC ("McCrory's")**	Ownership (100%)[5]	No dispensary cap[6] 1 cultivation[7] 1 processing[7]
Maryland	**LMS Wellness, Benefit LLC ("LMS")** **GreenMart of Maryland, LLC ("GMMD")** **Rosebud Organics, Inc. ("Rosebud")** **Budding Rose, Inc. ("Budding Rose")**	See Note 8	3 dispensaries 1 processing
Massachusetts	**Mayflower Medicinals, Inc. ("Mayflower")** **Cannatech Medicinals, Inc. ("Cannatech")**	Ownership (100%)[9]	3 medical dispensaries[10] 3 adult-use dispensaries[10] 3 medical cultivation/processing[11] 3 adult-use cultivation[11] 3 adult-use processing[11]
Nevada	**GMNV**	See Note 12	3 dispensaries[12] 1 cultivation[13] 1 processing[13]
New Jersey	**MPX New Jersey, LLC ("MPX NJ")**	See Note 14	3 dispensaries[15] 1 cultivation[16] 1 processing[16]
New York	**Citiva Medical, LLC ("Citiva")**	Ownership (100%)	4 dispensaries[17] 1 cultivation[17] 1 processing[17]
Vermont	**FWR Inc. d/b/a Grassroots Vermont ("GRVT")**	Ownership (100%)[18]	2 dispensaries[19] 1 cultivation[19] 1 processing[19]
United States	**iA CBD, LLC ("iA CBD")**	Ownership (100%)	See Note 20

(1) For further details on the Company's cannabis operations in the United States, see the section entitled "Regulatory Environment: Issues with U.S. Cannabis-Related Assets".

(2) ABACA, HFL, Soothing Options and THCWC are non-profit entities. The Company's wholly owned subsidiary, iAnthus Arizona, LLC ("iA AZ"), has entered into management agreements with ABACA, HFL, Soothing Options and THCWC, each of which holds an Arizona Medical Marijuana Dispensary Registration Certificate.

(3) An Arizona Medical Marijuana Dispensary Registration Certificate permits its holder to operate one medical cannabis dispensary which can be co-located with one medical cannabis cultivation and processing facility and one separately located cultivation and processing facility. Through ABACA, HFL, Soothing Options and THCWC, the Company currently operate four medical cannabis dispensaries and three facilities for medical cannabis cultivation and processing, two of which are co-located with their affiliated dispensaries. The Dispensary Registration Certificates held by ABACA, HFL, Soothing Options and THCWC, collectively allow for the operation of up to four medical cannabis dispensaries and up to eight medical cannabis cultivation and processing facilities, subject to regulatory approval

(4) The Company does not currently have a license to operate a cannabis business in Colorado; however, on December 5, 2016, in related transactions, the Company, through its wholly-owned subsidiaries, Scarlet Globemallow, LLC ("Scarlet") and Bergamot Properties, LLC ("Bergamot") acquired certain non-cannabis assets of Organix, LLC ("Organix") and the real estate holdings of Organix's affiliate, DB Land Holdings, Inc., consisting of a 12,000 square foot cultivation facility in Denver, Colorado. Bergamot also purchased a dispensary located in Breckenridge, Colorado from a third-party

(5) The Company owns 100% of GHHIA Management, Inc. ("GHHIA"), which holds an exclusive 40-year management agreement to operate the medical cannabis business associated with the Florida Medical Marijuana Treatment Center ("MMTC") license issued to McCrory's and held an option to acquire 100% of McCrory's for a nominal consideration, subject to the approval of the Florida Department of Health. On August 14, 2019, the Florida Department of Health approved GHHIA's option to acquire McCrory's and GHHIA subsequently exercised the option. Accordingly, the Company, through its wholly-owned subsidiary GHHIA, now own 100% of McCrory's.

(6) Until April 1, 2020, Florida imposed a progressive limit on the number of medical cannabis dispensaries that could be operated by each vertically licensed MMTC based on the number of registered qualified medical cannabis patients in the state. This statutory cap, which permitted 25 dispensaries per MMTC, increasing by 5 dispensaries for each additional 100,000 patients registered in Florida's Medical Marijuana Use Registry, expired on April 1, 2020. As of April 1, 2020, the MMTC license held by McCrory's is no longer subject to the statutory cap. Through its vertically integrated MMTC license, McCrory's currently operates 16 medical dispensaries in Florida.

(7) Through its vertically integrated MMTC license, McCrory's currently operates one co-located cultivation and processing facility located in Lake Wales, Florida.

(8) The Company's wholly-owned subsidiary, S8 Management, LLC ("S8 Management"), has entered into management agreements with three medical cannabis dispensaries, LMS, Budding Rose, GMMD and one medical cannabis processor facility, Rosebud. The Company's wholly-owned subsidiary, CGX Life Sciences, Inc. ("CGX"), holds options to acquire the medical cannabis dispensary licenses and the medical cannabis processor license in the future, subject to regulatory approval.

(9) The Company, through its wholly-owned subsidiary, iAnthus Capital Management, LLC ("ICM"), own 100% of Mayflower, which holds several medical and adult-use cannabis licenses. In addition, the Company, through its wholly-owned subsidiary CGX, owns 100% of two separate management entities with service and consulting agreements with a second vertically integrated medical cannabis license holder, Cannatech. On October 8, 2020, the Company obtained approval from the Massachusetts Cannabis Control Commission ("CCC") to convert Cannatech from a non-profit corporation to a for-profit corporation. On November 16, 2020, Cannatech was converted from a non-profit corporation to a for-profit corporation. As a result of the conversion, Cannatech is now owned 100% by the Company, through its wholly-owned subsidiary, CGX. In Massachusetts, an entity is permitted to control and operate up to three vertically-integrated medical Marijuana Treatment Center licenses, which include medical cultivation, product manufacturing and retail dispensing functions, up to three adult-use Marijuana Establishment cultivation licenses, up to three adult-use Marijuana Establishment product manufacturing licenses and up to three adult-use Marijuana Establishment retail licenses, with a maximum total cultivation "canopy" of up to 100,000 square feet. Through Mayflower, the Company currently holds one final vertically integrated medical license, one provisional vertically integrated medical license, one final adult-use cultivation license, one final adult-use product manufacturing license, one final adult-use retail license and one provisional adult-use retail license. Mayflower is also currently applying for a third provisional adult-use Marijuana Establishment retail license In addition, Cannatech currently holds one provisional vertically integrated medical license and on October 8, 2020, Cannatech was granted one provisional adult-use Marijuana Establishment cultivation license and one provisional adult-use product manufacturing license.

(10) Mayflower currently operates one Marijuana Treatment Center retail location, or medical dispensary, in Boston, Massachusetts. The Company anticipates operating a total of three medical Marijuana Treatment Center retail locations in Boston, Lowell and Fall River, Massachusetts, subject to applicable regulatory approvals. In addition, the Company anticipates operating three Marijuana Establishment retail locations, or adult-use dispensaries, two of which the Company expects will be co-located with the Marijuana Treatment Center retail locations in Boston and Lowell, Massachusetts and one of which will be located in Worcester, Massachusetts, subject to applicable regulatory approvals. On October 8, 2020, Mayflower obtained a final license to operate the Worcester, Massachusetts adult-use Marijuana Establishment retail location, which will exclusively maintain adult-use operations and is expected to open in 2020.

(11) The Company's Holliston, Massachusetts facility currently includes the cultivation and product manufacturing operations of its final vertically integrated medical Marijuana Treatment Center license as well as the operations of its final adult-use Marijuana Establishment cultivation license and product manufacturing license. Subject to regulatory approval, the Company expects that its Holliston, Massachusetts facility will also include the cultivation and product manufacturing operations of its additional provisional vertically-integrated medical Marijuana Treatment Center license. Subject to regulatory approval, the Company expects that its Fall River, Massachusetts facility will include the cultivation and product manufacturing operations of the provisional vertically integrated medical Marijuana Treatment Center license held by Cannatech as well as the operations of a provisional adult-use Marijuana Establishment cultivation license and provisional adult-use product manufacturing license granted to Cannatech on October 8, 2020. Subject to applicable regulatory approval, the Company expects to operate cultivation and product manufacturing functions for three vertically integrated medical licenses, two adult-use cultivation licenses and two adult-use product manufacturing licenses out of two facilities in Holliston and Fall River, Massachusetts. The Company may also seek an additional adult-use cultivation license and an additional product manufacturing license within the Massachusetts statutory and regulatory limitations.

(12) As a result of the acquisition of MPX Bioceutical Corporation on February 5, 2019 (the "MPX Acquisition"), the Company, through its wholly-owned subsidiary CGX, has acquired 99% of the ownership interests of GMNV, a licensed cultivation and production facility located in North Las Vegas, Nevada (the "NLV Facility") that also holds three conditional dispensary licenses to be located in Henderson, Las Vegas and Reno, Nevada. The change in control of GMNV must be approved by the CCB, which is currently reviewing the Company's application. Approval by the CCB will also result in the Company acquiring the remaining 1% ownership interest in GMNV and iAnthus will then own 100% of GMNV through its wholly-owned subsidiary, CGX.

(13) GMNV, currently has two Nevada medical cannabis establishment registration certificates, one for cultivation and one for production, each of which occurs at the NLV Facility. GMNV also currently has two Nevada adult-use licenses, one for cultivation and one for production, each of which also occurs at the same NLV Facility.

(14) On August 27, 2019, iAnthus New Jersey, LLC, the Company's wholly-owned subsidiary, entered into a financing, leasing, licensing and services agreement with MPX NJ, which remains subject to regulatory approval by the New Jersey Department of Health.

(15) One medical dispensary is permitted under the current rules in New Jersey, with the possibility of operating two more satellite dispensaries subject to regulatory approval. Under New Jersey law, the license holder must obtain such approval prior to January 2, 2021.

(16) MPX NJ cultivates medical cannabis at its Pleasantville, New Jersey facility, which is also expected to include processing capabilities.

(17) The Company, through its wholly-owned subsidiary ICM, owns 100% of Citiva, which holds a vertically integrated medical cannabis license allowing Citiva to operate one medical manufacturing facility, including cultivation and processing capabilities and up to four medical dispensaries. Citiva currently operates three medical dispensaries in Brooklyn, Wappingers Falls and Staten Island, New York. The Company anticipates operating one additional medical dispensary in Ithaca, New York and one manufacturing facility in Warwick, New York, subject to applicable regulatory approvals.

(18) The Company owns 100% of Grassroots Vermont Management Services, LLC ("GVMS"), the sole shareholder of GRVT, which has entered into a management services agreement with GRVT. Accordingly, the Company, through its wholly-owned subsidiary GVMS, owns 100% of GRVT.

(19) GRVT is a Vermont Registered Marijuana Dispensary, which permits GRVT to operate one vertically integrated location to cultivate, process and dispense medical cannabis and one additional dispensing location. GRVT currently operates one vertically integrated location where it cultivates, processes and dispenses medical cannabis in Brandon, Vermont. Subject to regulatory approval, GRVT anticipates opening an additional dispensing location in Burlington, Vermont.

(20) On June 27, 2019, iAnthus, through its wholly-owned subsidiary, iA CBD, acquired substantially all of the property and assets of CBD For Life, LLC ("CBD For Life"). As a result of the acquisition of CBD For Life, iA CBD is engaged in the formulation, manufacture, creation and sale of products infused with CBD. The CBD used to manufacture these products is exclusively derived from hemp. iAnthus intends for all of its hemp-derived products to be produced and sold in accordance with the 2014 Farm Bill and the 2018 Farm Bill, as applicable, at the time and location of operation and for such products to constitute hemp under the 2018 Farm Bill.

Compliance with Applicable State Cannabis Law in the United States

As of the date of this MD&A, the Company believes that each of its licensed cannabis operating entities (a) holds all applicable licenses to cultivate, manufacture, possess, and/or distribute cannabis in its respective state, and (b) is in good standing and in compliance with its respective state's cannabis regulatory program. The Company ensures that its operating entities are in compliance with state cannabis regulatory programs by utilizing some or all of the following in the Company's various state operations: (1) each operating entity is licensed pursuant to applicable state law to cultivate, manufacture, possess, and/or distribute cannabis in such state; (2) renewal dates for such licenses are docketed by legal counsel and/or other advisors; (3) random internal audits of the operating entity's business activities are conducted by the applicable state regulator and such operating entity to ensure compliance with applicable state law; (4) employees are provided with employee handbooks that outline internal standard operating procedures in connection with the cultivation, manufacturing, possession, and distribution of cannabis to ensure that all cannabis inventory and proceeds from the sale of such cannabis are properly accounted for and tracked; (5) scanners are used to confirm each customer's legal age with the validity of each customer's driver's license; (6) each room that contains cannabis inventory and/or proceeds from the sale of such inventory is stored is monitored by video surveillance; and (7) software is used to track cannabis inventory from seed to sale. The Company's U.S. legal counsel reviews, from time to time, the licenses and documents referenced above in order to confirm such information and identify any deficiencies.

(In thousands of U.S. Dollars, unless stated otherwise)

The Company's Balance Sheet and Operating Statement Exposure to U.S. Cannabis Related Activities

The following table reflects certain assets and liabilities on the Company's condensed interim consolidated statement of financial position that pertain to its U.S. cannabis activity, as of September 30, 2020:

Balance Sheet Line Item	Percentage which relates to Investments/Holdings with U.S. marijuana-related activities
Receivables and prepaid assets	90%
Inventory and biological assets	100%
Other current assets	52%
Fixed assets	99%
Right of use assets	84%
Intangible assets and goodwill	100%
Other assets	73%
Payables and accrued liabilities	60%
Current portion of long-term debt	0%
Derivative liabilities	0%
Current lease liabilities	96%
Other current liabilities	94%
Other liabilities	100%
Long-term debt	9%
Deferred tax liabilities	100%
Non-current lease liabilities	79%

Income Statement Line Item	Percentage which relates to Investments/Holdings with U.S. marijuana-related activities
Gross profit	100%
Operating expenses	65%
Other items	8%

Readers are cautioned that the foregoing financial information, though extracted from the Company's financial systems that supports its condensed interim consolidated financial statements, has not been audited in its presentation format and accordingly is not in compliance with IFRS based on consolidation principles.

Enforcement of U.S. Federal Laws

For the reasons set forth above, the Company's existing operations in the United States and any future operations or investments may become the subject of heightened scrutiny by regulators, stock exchanges, and other authorities in Canada and the United States. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to invest in the United States or any other jurisdiction. See "Risk Factors" section of this MD&A.

Change to government policy or public opinion may also result in a significant influence on the regulation of the cannabis industry in Canada, the United States, or elsewhere. A negative shift in the public's perception of medical or adult-use cannabis in the United States or any other applicable jurisdiction could affect future legislation or regulation or enforcement. Such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical or adult-use cannabis thereby limiting the number of new state jurisdictions into which the Company could expand.

Any inability to fully implement the Company's business strategy in the states in which the Company currently operates or in the Company's ability to expand its business into new states may have a material adverse effect on the Company's business, financial condition, and results of operations. See "Risk Factors" section of this MD&A.

Further, violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions, or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities, or divestiture.

Any enforcement action against the Company or any of its licensed operating facilities could have a material adverse effect on (1) the Company's reputation, (2) the Company's ability to conduct business, (3) the Company's holdings (directly or indirectly) of medical or adult-use cannabis licenses in the United States, (4) the listing or quoting of the Company's securities on various stock exchanges, (5) the Company's financial position, (6) the Company's operating results, profitability, or liquidity, or (7) the market price of the Company's publicly traded shares. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or their final resolution because the time and resources that may be necessary depend on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial. The Company's cannabis business activities, and the cannabis business activities of its subsidiaries, while believed to be compliant with applicable U.S. state and local laws, currently are illegal under U.S. federal law".

Arizona

As a result of the MPX Acquisition on February 5, 2019, the Company acquired 100% of CGX. GGX is the sole owner and member of iA AZ and S8 Rental Services, LLC ("S8 Rental"). iA AZ has management agreements in place with ABACA, THCWC, HFL, and Soothing Options. S8 Rental provides financing, leasing, and other logistical support to THCWC, HFL, and Soothing Options.

HFL is a cannabis dispensary and cultivation facility located in Mesa, AZ operating under the "Health for Life" brand. HFL holds a dispensary license with the approval to cultivate medical cannabis at a co-located facility as well as an offsite location in Arizona. Soothing Options is a cannabis dispensary and cultivation and production/manufacturing facility located in Mesa, AZ operating under the "Health for Life" brand. THCWC is a cannabis dispensary located in Mesa, AZ operating under the "Health for Life" brand. ABACA is a cannabis dispensary and cultivation facility located in Phoenix, AZ operating under the "Health for Life" brand. ABACA holds a dispensary license with the approval to cultivate medical cannabis at an offsite location in Arizona.

For the purposes of Staff Notice 51-352, the Company's investments in ABACA, THCWC, HFL, and Soothing Options are classified as "direct" involvement in the United States cannabis cultivation or distribution industry because iA AZ is a wholly owned subsidiary of the Company. The Company's investment in S8 Rental is classified as "ancillary" involvement in the United States cannabis industry.

The Company is advised by legal counsel regarding compliance with Arizona's cannabis regulatory framework and potential exposure and implications arising from U.S. federal law and/or other advisors in connection with Arizona's cannabis regulatory program. The Company only engages in transactions with Arizona cannabis businesses that hold licenses that are in good standing to cultivate, possess, and/or distribute cannabis in Arizona in compliance with Arizona's cannabis regulatory program.

To the extent required by Arizona's cannabis regulatory program, the Company has fully disclosed and/or registered each financial interest the Company holds in such Arizona cannabis businesses. The Company, ABACA, THCWC, HFL, Soothing Options, and iA AZ are in compliance with Arizona's cannabis regulatory program. With respect to S8 Rental, the Company is not aware of any non-compliance of Arizona's cannabis regulatory program. In addition to the foregoing description, Staff Notice 51-352 requires additional disclosure for issuers with a "direct" involvement in the United States cannabis cultivation or distribution industry.

The applicable regulations in the State of Arizona are summarized below.

In 2010, Arizona voters passed Proposition 203, which was known as the Arizona Marijuana Initiative. The Arizona legislature thereafter enacted the Arizona Medical Marijuana Act ("AMMA"), decriminalizing the medical use of cannabis. The AMMA appointed the Arizona Department of Health Services ("ADHS") as a regulator for the program and authorized ADHS to promulgate, adopt, and enforce regulations implementing the AMMA. The ADHS established the Arizona Department of Health Services – Medical Marijuana Program ("MMJ Program"), which sets the rules and regulations regarding medical cannabis in the State of Arizona.

Medical Marijuana Dispensary Registration Certificates ("Certificates"), medical cannabis licenses under the AMMA, are vertically integrated and authorize Certificate holders to cultivate and dispense medical cannabis to patients. All Certificate holders must be not-for-profit entities and must submit an application to renew their Certificates to the ADHS at least 30 before the expiration thereof.

Colorado

On December 5, 2016, the Company, through its wholly-owned subsidiary, Scarlet, acquired the non-cannabis assets of Organix (collectively, the "Organix Assets"), the owner and operator of a Colorado medical and adult-use cannabis operation with a cultivation facility in Denver, CO and a medical and adult-use dispensary in Breckenridge, CO. The Organix Assets include all equipment and other tangible and intangible assets and all of the intellectual property of Organix, including its brands. In connection with this transaction, Bergamot, a wholly-owned subsidiary of Scarlet, purchased the real estate holdings of Organix's affiliate, DB, consisting of a 12,000 square foot cultivation facility in Denver, CO. Bergamot also purchased the dispensary located in Breckenridge, CO from the third-party landlord of the property.

In a related transaction, Bellflower agreed to acquire all cannabis inventory and licenses to cultivate, manufacture, and sell cannabis-based products from Organix. The Company holds no ownership interest in Bellflower and accordingly, Bellflower is an arm's length party to the Company.

For the purposes of Staff Notice 51-352, the assets held by the Company's subsidiaries, Scarlet and Bergamot, are classified as "ancillary" involvement in the United States cannabis industry for the purpose of Staff Notice 51-352. With respect to Scarlet and Bergamot, the Company is not aware of non-compliance with Colorado's cannabis regulatory program.

Florida

On January 17, 2018, the Company acquired substantially all of the assets of GrowHealthy Holdings, LLC ("GHH") and certain related subsidiaries. The Company had previously acquired approximately six percent of GHH in a preferred share purchase in October 2017. Those shares were redeemed by GHH as part of the Company's asset purchase in January 2018.

GHH's subsidiary and strategic partner, McCrory's doing business as, and collectively with GHHIA, "GrowHealthy"), holds 1 of 22 MMTC licenses issued by the Florida Department of Health ("FL DOH"), pursuant to which GrowHealthy is permitted to cultivate, process, and dispense medical cannabis under Florida's medical marijuana law.

Through the January 2018 transaction, the Company also acquired GHHIA, which holds an exclusive 40-year management contract that renews automatically every five years thereafter to provide management services associated with GrowHealthy's business, and held an option to acquire 100% of McCrory's for a nominal consideration subject to the approval of the FL DOH. On August 14, 2019, the FL DOH approved GHHIA's option to acquire McCrory's and GHHIA subsequently exercised the option. Accordingly, the Company through its wholly owned subsidiary, GHHIA, owns 100% of McCrory's. The MMTC license held by McCrory's allows for one or more cultivation and manufacturing facilities with no current cap on dispensaries in Florida.

GrowHealthy continues to expand its cultivation and production capacity through the construction and improvement of outdoor greenhouses and indoor grow rooms at its Lake Wales cultivation facility, which will add approximately 285,000 square feet of additional cultivation space.

GrowHealthy opened its flagship dispensary in West Palm Beach, FL in December 2018. In 2019, GrowHealthy opened additional dispensary locations in Brandon, Lake Worth, Orlando, Daytona Beach, North Miami, Lakeland, Gainesville, Bonita Springs, Deerfield Beach, and Ocala, FL.

Following the conclusion of 2019, GrowHealthy opened additional dispensary locations in Stuart, Pensacola, Tallahassee, Clearwater/Largo, and Cape Coral, FL bringing the total number of GrowHealthy dispensaries opened in Florida to sixteen. GrowHealthy continues to expand its delivery program through the addition of delivery vehicles. It is expected that each dispensary will have its own delivery vehicle.

For the purposes of Staff Notice 51-352, the Company's investment in GrowHealthy is classified as "direct" involvement in the United States cannabis cultivation or distribution industry because GHHIA is a wholly owned subsidiary of the Company.

The Company is advised by legal counsel regarding compliance with Florida's cannabis regulatory framework and potential exposure and implications arising from U.S. federal law and/or other advisors in connection with Florida's cannabis regulatory program. The Company only engages in transactions with Florida cannabis businesses that hold licenses that are in good standing to cultivate, possess, and/or distribute cannabis in Florida in compliance with Florida's cannabis regulatory program. To the extent required by Florida's cannabis regulatory program, the Company has fully disclosed and/or registered each financial interest the Company holds in such Florida cannabis businesses. The Company, GHHIA, and GrowHealthy are in compliance with Florida's cannabis regulatory program. In addition to the foregoing description, Staff Notice 51-352 requires additional disclosure for issuers with a "direct" involvement in the United States cannabis cultivation or distribution industry.

The applicable regulations in the State of Florida are summarized below.

On July 1, 2014, the Florida Legislature enacted the Compassionate Use Act (the "CUA") to create an exemption from Florida criminal statutes for the cultivation, processing, dispensing, and use of medical marijuana. Originally, the CUA was limited in scope, creating an application process for the creation of five geographically dispersed dispensing organizations, which would be vertically licensed to cultivate, process, and dispense low-THC cannabis for medically approved uses (each, a "Dispensing Organization"). The original 28 applicants for Dispensing Organization licenses were competitively reviewed, resulting in the selection of five licensees. The legislative session and special session thereafter as well as a citizen led Florida constitutional amendment approved by a state-wide vote in November 2016 expanded and modified the original CUA, resulting in a total of 22 MMTC vertical licenses, which are legislatively approved to dispense "Low-THC cannabis" and "Medical Marijuana" derivative products in Florida, including smokable flower.

Until April 1, 2020, certain statutory caps were imposed upon the number of vertically integrated MMTC licenses that could be issued and the number of dispensary locations a duly licensed MMTC could open. Before the expiration of these caps, an additional four vertically integrated MMTC licenses could be granted upon each successive addition of 100,000 new qualified patients to the state-regulated database. Additionally, the statutory caps imposed a limit of 25 dispensaries that each MMTC could open increased by an additional five dispensaries per MMTC upon each successive addition of 100,000 new qualified patients to the state-regulated database. These caps were not readopted and expired on April 1, 2020.

The Office of Medical Marijuana Use of the FL DOH is authorized to promulgate regulations implementing Florida's medical cannabis program, including with respect to the regulation of edible products. On August 28, 2020, the OMMU published emergency rules taking immediate effect permitting the production, packaging, labelling, and dispending edible medical marijuana derivative products by MMTCs. The emergency rules will be effective for 90 days during which time, the OMMU will promulgate final rules. Infused cannabis products may not resemble commercially available products and may not be manufactured with primary or bright colours to minimize appeal to children. MMTC manufacturing edible medical marijuana derivative products must also comply with all requirements for food establishments in Chapter 500 of the Florida Statutes and any rules adopted by the Florida Department of Agriculture and Consumer Services. Each MMTC must receive a variance from the OMMU for each edible medical marijuana derivative product it produces.

Each licensed MMTC must receive authorization from the FL DOH at each stage of the production process (i.e., cultivation, processing, dispensing, and for each dispensary), as well as authorizations and inspections concerning edible processing facilities by the Florida Department of Agriculture and Consumer Services. Each licensee is held to the representations made in its original July 2014 application. An MMTC must obtain approval from the FL DOH in the form of a variance before operating in a manner inconsistent with the representations in its application.

Florida's medical cannabis law further provides that the FL DOH shall renew the licensure of an MMTC every two years if the licensee meets the requirements of the law and pays the biennial renewal fee.

Maryland

Through its wholly owned subsidiary, S8 Management, the Company, operates three medical cannabis dispensaries in Maryland, Budding Rose, GMMD, and LMS, and one medical cannabis processor, Rosebud, pursuant to management agreements. The management agreements have an initial term of 20 years with up to two renewal terms of 20 years each. Budding Rose, GMMD, LMS, and Rosebud hold licenses issued by the Natalie M. LaPrade Maryland Medical Cannabis Commission ("MMCC").

Through its wholly owned subsidiary, CGX, the Company, holds options to purchase each of Budding Rose, GMMD, LMS, and Rosebud (the "Options"). The Options expire at various times in 2020 and 2021. An amendment to Maryland cannabis law effective July 1, 2019 prohibits the transfer of the ownership of a medical cannabis grower, processor, or dispensary until the applicable facility has been actively engaged in the cultivation, processing, or dispensing of medical cannabis for at least 3 years. A change in ownership of a grower, processor, or dispensary license, including through exercise of an option, is subject to the approval of the MMCC.

For the purposes of Staff Notice 51-352, the Company's investment in Budding Rose, GMMD, LMS, and Rosebud are classified as "direct" involvement in the United States cannabis cultivation or distribution industry because S8 Management is a wholly owned subsidiary of the Company.

The Company is advised by legal counsel regarding compliance with Maryland's cannabis regulatory framework and potential exposure and implications arising from U.S. federal law and/or other advisors in connection with Maryland's cannabis regulatory program. The Company only engages in transactions with Maryland cannabis businesses that hold licenses that are in good standing to cultivate, possess, and/or distribute cannabis in Maryland in compliance with Maryland's cannabis regulatory program. To the extent required by Maryland's cannabis regulatory program, the Company has fully disclosed and/or registered each financial interest the Company holds in such Maryland cannabis businesses.

The Company, Budding Rose, GMMD, LMS, Rosebud, and S8 Management are in compliance with Maryland's cannabis regulatory program. In addition to the foregoing description, Staff Notice 51-352 requires additional disclosure for issuers with a "direct" involvement in the United States cannabis cultivation or distribution industry.

The applicable regulations in the State of Maryland are summarized below.

In 2013, Governor Martin O'Malley signed Maryland House Bill 1101 into law, establishing Maryland's medical cannabis program and the MMCC, which is charged with enforcing Maryland's medical cannabis laws and regulations. The MMCC grants medical cannabis grower, processor, and dispensary licenses. A licensee may own or control one grower, one processor, and effective July 1, 2019, up to four dispensaries. The applicant must first seek pre-approval from the MMCC in order to be granted a license. Licenses for medical cannabis processors and dispensaries are issued for an initial term of six years and may be renewed for terms of 4 years, subject to the approval of the MMCC.

Maryland law regarding management agreements continues to evolve. On February 21, 2018, the MMCC issued Bulletin 2018-003 via its website, which required licensees to submit a copy of any proposed management agreement to the MMCC for review. The management agreements for Budding Rose, GMMD, LMS, and Rosebud were submitted to the MMCC. In May 2020, the MMCC issued further guidance on ownership and control reporting requirements, which confirmed the guidance set forth in Bulletin 2018-003 regarding management agreements and created a new procedure for the submission of management agreements and material changes to management agreements to the MMCC for approval.

Massachusetts

The Company formed Mayflower as a Massachusetts nonprofit corporation and submitted applications in August 2015 for Registered Marijuana Dispensary Certificates of Registration, which are now known as Medical Marijuana Treatment Center ("MTC") licenses. In August 2016, Mayflower received two MTC Provisional Licenses. In 2017, the Company acquired an 80% controlling interest in Pilgrim Rock Management, LLC ("Pilgrim"), the affiliated management company that provides management services, financing, intellectual property licensing, real estate, equipment leasing, and certain other services to Mayflower. The Company acquired the remaining 20% of Pilgrim in April 2018, which gave the Company 100% ownership of Pilgrim. On July 31, 2018, Mayflower was converted into a Massachusetts for-profit corporation, which is now 100% owned by the Company through its wholly owned subsidiary, ICM.

In December 2017, Mayflower completed construction of its Holliston, MA cultivation and product manufacturing facility and received an MTC Final License from the Massachusetts Department of Public Health ("DPH"). In January 2018, Mayflower began medical marijuana cultivation and product manufacturing operations in Holliston, MA.

On July 19, 2018, Mayflower opened its first retail MTC facility in the Allston neighborhood of Boston, MA.

In 2018, Mayflower also began submitting applications for adult-use licenses. As an existing medical marijuana operator, Mayflower received and remains eligible for Priority Applicant status, which enables its adult-use applications to be reviewed before the applications of non-Priority applicants.

On October 10, 2019, Mayflower received approval from the CCC, which assumed regulatory authority over the Medical Use of Marijuana Program in December 2018, to move the location of its second retail facility from Gloucester, MA to Lowell, MA, which will serve as a co-located MTC dispensary and adult-use Marijuana Establishment retail location and is expected to open in 2020. On June 5, 2020, Mayflower received its provisional license for its Lowell adult-use Marijuana Establishment retail location.

In December 2019, Mayflower received approval from the CCC to commence construction of its Worcester, MA retail facility, which will serve as an adult-use Marijuana Retailer Establishment. On October 8, 2020, the CCC granted Mayflower its final adult-use Marijuana Establishment retail license for its Worcester location, which is expected to open in 2020.

Additionally, the Holliston, MA facility passed its final CCC inspection and was approved to commence operations for adult-use cultivation and product manufacturing, effective Monday, January 27, 2020. On January 27, 2020, the Company commenced cultivating and manufacturing adult-use marijuana infused products and marijuana concentrates including edibles, vaporizers, tinctures, and topicals. This will allow the Company to supply its adult-use dispensary currently under construction in Worcester, MA as well as the other MTCs and adult-use Marijuana Establishments currently licensed in the Commonwealth on a wholesale basis.

In the next several months, Mayflower also expects to receive the local approvals necessary to submit an application to the CCC for an adult-use Marijuana Retailer Establishment license at its current MTC location in Boston, MA.

As a result of the MPX Acquisition on February 5, 2019, the Company also acquired 100% of CGX, which is the sole owner and member of Fall River Development Company, LLC ("FRDC") and IMT, LLC ("IMT"). FRDC and IMT have certain service and consulting agreements in place with Cannatech, a nonprofit MTC license holder with a cultivation and product manufacturing facility and a separate retail dispensing facility both located in Fall River, MA. Both Fall River facilities are provisionally licensed as MTC facilities and are expected to open in the fourth quarter of 2020. On October 8, 2020, the Company obtained approval from the CCC to convert Cannatech from a nonprofit corporation to a profit corporation. The Company anticipates converting Cannatech to a profit corporation in 2020 at which point the Company, through its wholly owned subsidiary, CGX, will own 100% of Cannatech. Additionally, Cannatech has submitted adult-use cultivation and product manufacturing license applications for the Fall River cultivation and product manufacturing facility, and on October 8, 2020, the CCC granted Cannatech one provisional adult-use Marijuana Establishment cultivation license and one provisional adult-use Marijuana Establishment product manufacturing license.

For the purposes of Staff Notice 51-352, the Company's investments in Mayflower and Cannatech are classified as "direct" involvement in the United States cannabis cultivation or distribution industry, because Mayflower, Pilgrim Rock, FRDC, and IMT are wholly owned subsidiaries of the Company.

The Company is advised by legal counsel regarding compliance with Massachusetts' cannabis regulatory framework and potential exposure and implications arising from U.S. federal law and/or other advisors in connection with Massachusetts' cannabis regulatory program. The Company only engages in transactions with Massachusetts cannabis businesses that hold licenses that are in good standing to cultivate, possess, and/or distribute cannabis in Massachusetts in compliance with Massachusetts' cannabis regulatory program. To the extent required by Massachusetts' cannabis regulatory program, the Company has fully disclosed and/or registered each financial interest the Company holds in such Massachusetts cannabis businesses. The Company, Mayflower, Pilgrim Rock, Cannatech, FRDC, and IMT are in compliance with Massachusetts' cannabis regulatory program. In addition to the foregoing description, Staff Notice 51-352 requires additional disclosure for issuers with a "direct" involvement in the United States cannabis cultivation or distribution industry.

The applicable regulations in the Commonwealth of Massachusetts are summarized below.

In November 2012, Massachusetts voters passed Ballot Question 3, establishing the Medical Use of Marijuana Program ("Medical Program"). The DPH initially regulated the Medical Program, and medical MTCs were required to be vertically integrated, Massachusetts Ch. 180 nonprofit corporations that cultivated, manufactured, and dispensed medical marijuana and marijuana products. No person or entity having Direct or Indirect Control, as defined in 935 CMR 501.002, may be granted, or hold, more than three MTC licenses.

In November 2016, Massachusetts voters passed Ballot Question 4, legalizing adult-use marijuana for individuals 21 years of age and older.

The CCC promulgated adult-use marijuana regulations and began accepting applications in April 2018 for a variety of adult-use marijuana establishment licenses, including cultivator, retailer, product manufacturer, craft cooperative, testing lab, research facility, transporter, and microbusiness (collectively, the "Marijuana Establishment Licenses"). No person or entity having Direct or Indirect Control, as defined in 935 CMR 500.002, may be granted, or hold, more than three Marijuana Establishment licenses in a particular class. Adult-use license applicants must enter into host community agreements with the host municipality in which the facility is located (each, a "Host Community Agreement") and conduct a community outreach meeting. Existing medical marijuana operators and economic empowerment applicants are eligible for Priority Applicant status that enables their adult-use applications to be reviewed by the CCC before the applications of non-priority applicants. Where operations include both medical and adult-use operations, license holders must provide a plan for separating medical use operations from adult-use operations. All licensees must renew their licenses annually.

In December 2018 and in accordance with state law, the Medical Program was transferred from the DPH to the CCC, which now regulates both the medical and adult-use marijuana programs.

On March 4, 2020, Boston's Mayor, Martin Walsh, announced his appointments to the Boston Cannabis Board, an independent board charged with advising the Mayor's office on cannabis regulation and policy and reviewing all applicants for a local marijuana license in the City of Boston (the "BCB"). The members of the BCB are Kathleen Joyce, Monica Valdes Lupi, Darlene Lombos, Lisa Holmes, and John Smith. On July 22, 2020, the BCB adopted rules and regulations governing marijuana establishments within the City of Boston. Any person or entity seeking to operate any type of adult use Marijuana Establishment License in the City of Boston must obtain a local license from the BCB.

Nevada

As a result of the MPX Acquisition on February 5, 2019, the Company, through its wholly owned subsidiary CGX, acquired 99% of the ownership interests of GMNV, a licensed cultivation and production facility located in North Las Vegas, NV. The change in control of GMNV must be approved by the CCB, which is currently reviewing the Company's application. Approval by the CCB will also result in the Company acquiring the remaining one percent ownership interest in GMNV, and the Company will then own 100% of GMNV through its wholly owned subsidiary, CGX.

GMNV, currently has two Nevada medical cannabis establishment registration certificates (each, a "Medical Marijuana License"), one for cultivation and one for production, each of which occurs at the NLV Facility. GMNV also currently has two Nevada adult-use licenses ("Adult-Use Licenses"), one for cultivation and one for production, each of which also occurs at the same NLV Facility. In December 2018, GMNV was awarded four conditional adult-use dispensary licenses ("Marijuana Retail Stores"). The NV DOT's award of conditional adult-use Marijuana Retail Store licenses is being challenged by several unsuccessful applicants in an action in Nevada state court. In consideration for the partial settlement of this action, GMNV will transfer one of its conditional adult-use Marijuana Retail Store licenses to an unsuccessful applicant once certain conditions to settlement are met. GMNV is currently seeking to perfect its other conditional adult-use Marijuana Retail Store licenses at the state and local level.

Additionally, GMNV is in the process of perfecting a distributorship license, which is required to transport adult-use cannabis from its cultivation and product manufacturing facilities to its dispensaries/Marijuana Retail Stores.

For the purposes of Staff Notice 51-352, the Company's investment in GMNV is classified as "direct" involvement in the United States cannabis cultivation or distribution industry because, subject to approval, the Company will have a controlling interest in GMNV.

The Company is advised by legal counsel regarding compliance with Nevada's cannabis regulatory framework and potential exposure and implications arising from U.S. federal law and/or other advisors in connection with Nevada's cannabis regulatory program.

GMNV only engages in transactions with Nevada cannabis businesses that hold licenses that are in good standing to cultivate, possess, and/or distribute cannabis in Nevada in compliance with Nevada's cannabis regulatory program. To the extent required by Nevada's cannabis regulatory program, the Company has fully disclosed and/or registered each financial interest the Company holds in such Nevada cannabis businesses.

The Company and GMNV are in compliance with Nevada's cannabis regulatory program. In addition to the foregoing description, Staff Notice 51-352 requires additional disclosure for issuers with a "direct" involvement in the United States cannabis cultivation or distribution industry.

The applicable regulations in the State of Nevada are summarized below.

The Nevada Constitution was amended in 2000 to legalize the medical use of cannabis. State-certified medical cannabis establishments, including dispensaries, became operational in 2015. The Regulation and Taxation of Marijuana Act was proposed by an initiative petition and approved during the 2016 general election (the "RTMA"). The RTMA allows individuals over 21 years of age to purchase and possess limited amounts of cannabis and cannabis products. Prior to November 15, 2018, the NV DOT, which then regulated medical and adult-use cannabis in Nevada, only accepted applications for Nevada Adult-Use Licenses from individuals or businesses that held Medical Marijuana Licenses. Following November 16, 2018, the NV DOT began soliciting applications for cannabis establishments. Further requests for applications may be issued if additional cannabis establishments are required.

In 2019, Governor Steve Sisolak signed Assembly Bill 533 ("AB 533") into law. This omnibus legislation addresses many aspects of Nevada's cannabis industry, including creating the CCB. These changes took effect on July 1, 2020, including the transfer of regulatory oversight from the NV DOT to the CCB.

In Nevada, medical and adult-use marijuana licenses are issued for Cultivation Facilities, Marijuana Product Manufacturing Facilities, Medical Marijuana Dispensaries (for the retail sales of medical marijuana), Retail Marijuana Store Licenses (for retail sales of adult-use marijuana), and Independent Testing Laboratories. Additionally, Distributor Licenses, which pertain only to adult-use marijuana, permit licensees to transport cannabis from one cannabis establishment to another. All licenses must be renewed yearly.

In addition to obtaining a Nevada license, each Nevada marijuana establishment must obtain a license and land use approval form from the local jurisdiction in which it is situated. A provisional or conditional licensee may not engage in cannabis business operations until it has received all necessary local approvals and a final registration certificate from the CCB. No single entity may own more than one license in a local jurisdiction or more than 10% of the allocable licenses in one local jurisdiction, whichever is greater.

New Jersey

MPX NJ received initial approval from the New Jersey Department of Health ("NJ DOH") in December 2018 to proceed under the Alternative Treatment Center ("ATC") medical cannabis permitting process to commence operations at an Atlantic County, NJ cultivation facility and an Atlantic City, NJ dispensary facility. Pursuant to the Honig Act (as defined below), MPX NJ may open two additional satellite dispensary facilities within its designated geographic region, subject to NJ DOH approval. In 2019, as a result of the MPX Acquisition, the Company acquired a 4% beneficial interest in MPX NJ. On August 27, 2019, iAnthus NJ, the Company's wholly owned subsidiary, entered into a broad services agreement to provide exclusive financing, leasing, licensing, and professional services to MPX NJ, which remains subject to approval by the NJ DOH. On February 3, 2020, the NJ DOH issued MPX NJ a permit to cultivate and process medical cannabis at the Company's Pleasantville, NJ cultivation facility. Additionally, MPX NJ expects to open its Atlantic City, NJ dispensary facility in 2020.

The NJ DOH's approval of MPX NJ for licensure as an ATC has been appealed by several unsuccessful applicants and one existing ATC permit holder. Those appeals are presently pending in the Superior Court of New Jersey, Appellate Division.

For the purposes of Staff Notice 51-352, the Company's investment in MPX NJ and iAnthus NJ is classified as "direct" involvement in the United States cannabis cultivation or distribution industry.

The Company is advised by legal counsel regarding compliance with New Jersey's cannabis regulatory framework and potential exposure and implications arising from U.S. federal law and/or other advisors in connection with New Jersey's cannabis regulatory program. The Company only engages in transactions with New Jersey cannabis businesses that hold licenses that are in good standing to cultivate, possess, and/or distribute cannabis in New Jersey in compliance with New Jersey's cannabis regulatory program. To the extent required by New Jersey's cannabis regulatory program, the Company has fully disclosed and/or registered each financial interest the Company holds in such New Jersey cannabis businesses. The Company, MPX NJ, and iAnthus NJ are in compliance with New Jersey's cannabis regulatory program. In addition to the foregoing description, Staff Notice 51-352 requires additional disclosure for issuers with a "direct" involvement in the United States cannabis cultivation or distribution industry.

The applicable regulations in the State of New Jersey are summarized below.

On July 2, 2019, Governor Phil Murphy signed the Jake Honig Compassionate Use Medical Cannabis Act (the "Honig Act") into law, which significantly amended and expanded the existing New Jersey Compassionate Use Medical Marijuana Act ("CUMMA") enacted in January 2010. Like CUMMA, the Honig Act provides protection from arrest, prosecution, property forfeiture, and criminal and other penalties for patients who use cannabis to alleviate suffering from certain medical conditions, as well as their health care practitioners, designated caregivers, and those who are authorized to produce, process, and dispense cannabis for medical purposes.

The Honig Act ultimately transfers all responsibility for oversight, regulation, administration, and enforcement of New Jersey's medical cannabis program from the NJ DOH to the new five-member Cannabis Regulatory Commission (the "CRC"). However, medical cannabis oversight will remain under the NJ DOH until such time as all members of the CRC are appointed and the CRC first organizes.

The Honig Act establishes three distinct permit types in connection with the production and dispensing of medical cannabis: Medical Cannabis Cultivators, Medical Cannabis Manufacturers, and Medical Cannabis Dispensaries. Any such permit will be valid for one year and be renewable annually. The CRC will be required to issue a request for new permit applications within 90 days of the Honig Act's effective date and to make a determination on any permit application within 90 days after the date of submission.

For a period of 18 months after the Honig Act's effective date, an entity will be permitted to hold only one permit of any type subject to the exceptions set forth below. After 18 months, an entity will be authorized to concurrently hold Medical Cannabis Cultivator, Medical Cannabis Manufacturer, and Medical Cannabis Dispensary permits.

However, the Honig Act provides that the CRC must issue three new ATC permits that are not subject to these restrictions. These ATCs will be deemed to concurrently hold Medical Cannabis Cultivator, Medical Cannabis Manufacturer, and Medical Cannabis Dispensary permits immediately upon approval, regardless of the general 18-month restriction on vertical integration. They will also be authorized to establish one satellite dispensary location each, provided that each such ATC applies for the satellite dispensary within 18 months after the Honig Act's effective date. These permits are to be geographically distributed with one located in each of the northern, central, and southern regions of New Jersey.

Additionally, ATCs that were issued a permit prior to the Honig Act's effective date, ATCs that were issued a permit after the Honig Act's effective date but pursuant to an application submitted prior to such effective date, and up to four ATCs issued permits after the Honig Act's effective date but pursuant to a request for applications published in the New Jersey Register prior to such effective date will not be subject to the restrictions on vertical integration and will also be deemed to concurrently hold Medical Cannabis Cultivator, Medical Cannabis Manufacturer, and Medical Cannabis Dispensary permits.

Similarly, no new satellite dispensaries will be approved aside from any new satellite dispensary expressly authorized under the Honig Act, any satellite dispensary authorized for a clinical registrant, and grandfathered satellite dispensaries, including those of any ATC issued a permit prior to the Honig Act's effective date and any ATC issued a permit after the Honig Act's effective date pursuant to an application submitted prior to such effective date. Any such ATC shall be authorized to hold up to two satellite dispensary permits, including any satellite dispensary permit approved prior to the Honig Act's effective date or approved pursuant to an application submitted prior to the Honig Act's effective date. Any satellite dispensary approved pursuant to an application submitted within the first 18 months after the Honig Act's effective date are also permitted.

The CRC will be required to specify by regulation the number of new permits of each type that it will authorize in the first year following the Honig Act's effective date and thereafter periodically evaluate whether the current number of permits is sufficient to meet the needs of qualifying patients and issue requests for new applications if necessary.

Pursuant to its mandate under the Honig Act and until its authority transfers to the CRC, the NJ DOH grants vertically integrated and endorsement-specific permits authorizing the cultivation, processing, and dispensing of medical cannabis by ATCs through its Division of Medicinal Marijuana. To obtain an ATC permit, an application must be filed with the NJ DOH.

New Mexico

On April 2, 2014, RGA was formed for the primary purpose of serving as (1) a branding, marketing and consulting company to license and/or sublicense certain technology and product names to medical cannabis license holders in New Mexico; (2) a holding company for acquiring, leasing, and/or managing real estate, fixtures, and equipment; and (3) an entity that enters into financial transactions to support the operations of medical cannabis license holders in New Mexico. RGA currently manages three cultivation operations in Albuquerque, NM, totaling approximately 50,000 square feet, and eight dispensary locations, five of which are located in Albuquerque, NM with the remaining located in Grants, Las Cruces, and Roswell, NM. RGA also manages a kitchen and extraction laboratory located in Albuquerque, NM. Working with the Company, RGA is currently instituting an expansion of its cultivating facilities and dispensaries, as well as developing a production strategy to provide value-added cannabis infused products for its license holders and others in New Mexico. The Company has a 24.6% equity interest in RGA. On August 18, 2020, the Company entered into an agreement with RGA pursuant to which RGA will redeem the Company's 229,774 Class A-1 Units in RGA for a total consideration of $2,371.

For the purposes of Staff Notice 51-352, the Company's investment in RGA is classified as "ancillary" involvement in the United States cannabis cultivation or distribution industry. With respect to RGA, the Company is not aware of non-compliance with New Mexico's cannabis regulatory program.

New York

On February 1, 2018, the Company acquired 100% of Citiva. The vertically integrated medical cannabis business license held by Citiva allows for one cultivation and processing facility and up to four dispensaries. The acquisition provides the Company with exposure to one of the nation's largest markets, with a state-wide population of approximately 20 million people in a state where only 10 licenses have been granted.

On December 31, 2018, the Company opened its flagship dispensary in Brooklyn, NY. The dispensary is one of only three dispensaries operating in Brooklyn, a borough of approximately 2.6 million residents. On February 14, 2019, the Company opened its second dispensary location in Wappingers Falls, NY, and on March 11, 2020, the Company opened its third dispensary in Staten Island, NY.

To supply Citiva's dispensaries with product ahead of completion of the Company's Warwick, NY cultivation facility, Citiva has wholesale purchase agreements with other Registered Organizations (as defined below) in New York for of a range of vaporization products, capsules, and tinctures.

For the purposes of Staff Notice 51-352, the Company's investment in Citiva is classified as "direct" involvement in the United States cannabis cultivation or distribution industry because Citiva is a wholly owned subsidiary of the Company.

The Company is advised by legal counsel regarding compliance with New York's cannabis regulatory framework and potential exposure and implications arising from U.S. federal law and/or other advisors in connection with New York's cannabis regulatory program. The Company only engages in transactions with New York cannabis businesses that hold licenses that are in good standing to cultivate, possess, and/or distribute cannabis in New York in compliance with New York's cannabis regulatory program. To the extent required by New York's cannabis regulatory program, the Company has fully disclosed and/or registered each financial interest the Company holds in such New York cannabis businesses.

The Company and Citiva are in compliance with New York's cannabis regulatory program. In addition to the foregoing description, Staff Notice 51-352 requires additional disclosure for issuers with a "direct" involvement in the United States cannabis cultivation or distribution industry.

The applicable regulations in the State of New York are summarized below.

In July 2014, Governor Andrew Cuomo and the New York State Legislature enacted the Compassionate Care Act (the "CCA") to provide a comprehensive, safe and effective medical cannabis program. The CCA and the regulations promulgated thereunder allow for the acquisition, possession, manufacturing, sale, delivery, transportation, distribution, and dispensing of cannabis for medical purposes by certain registered organizations in the State of New York (each, a "Registered Organization"). The New York State Department of Health (the "NY DOH") supervises New York's medical cannabis regulatory program and has currently issued registrations to only ten Registered Organizations.

Each Registered Organization holds a vertically integrated license that allows for one manufacturing (cultivation and processing) facility and up to four dispensaries for medical cannabis products. The CCA permits a limited number of product offerings, and smoking of cannabis flower is prohibited as is incorporating medical cannabis into food products unless approved by the Commissioner of the NY DOH. New York is a vertically integrated system but allows Registered Organizations to wholesale manufactured product to one another. Registered Organizations may only manufacture and dispense medical cannabis to qualified patients and designated caregivers.

Registrations under New York's medical cannabis program must be renewed every two years. An application to renew any registration must be filed with the NY DOH not more than six months and not less than four months prior to the expiration thereof.

Vermont

In 2017, the Company acquired 100% of Pakalolo, LLC ("Pakalolo"), the sole member of GRVT, a non-profit medical cannabis license holder in Vermont. On January 1, 2018, the Company's wholly owned subsidiary, Grassroots Vermont Management Services, LLC ("GVMS"), executed a management services agreement with GRVT, pursuant to which GVMS provides GRVT management services, financing, intellectual property licensing, real estate, equipment leasing, and certain other services.

On August 23, 2019, GRVT was converted from a non-profit corporation to a for profit corporation and issued its only common stock outstanding to GVMS. In connection with the conversion, GRVT is now 100% owned by the Company through its wholly owned subsidiary, GVMS, and Pakalolo is no longer a member of GRVT.

GRVT currently maintains one location in Brandon, VT where cannabis is dispensed, cultivated, and processed. GRVT is seeking to open a second location in the greater Burlington, VT area, subject to applicable state and local approvals.

For the purposes of Staff Notice 51-352, the Company's investment in GRVT is classified as "direct" involvement in the United States cannabis cultivation or distribution industry because GVMS is a wholly owned subsidiary of the Company.

The Company is advised by legal counsel regarding compliance with Vermont's cannabis regulatory framework and potential exposure and implications arising from U.S. federal law and/or other advisors in connection with Vermont's cannabis regulatory program. The Company only engages in transactions with Vermont cannabis businesses that hold licenses that are in good standing to cultivate, possess, and/or distribute cannabis in Vermont in compliance with Vermont's cannabis regulatory program.

To the extent required by Vermont's cannabis regulatory program, the Company has fully disclosed and/or registered each financial interest the Company holds in such Vermont cannabis businesses. The Company, Pakalolo, GRVT, and GVMS are in compliance with Vermont's cannabis regulatory program. In addition to the foregoing description, Staff Notice 51-352 requires additional disclosure for issuers with a "direct" involvement in the United States cannabis cultivation or distribution industry.

The applicable regulations in the State of Vermont are summarized below.

On May 19, 2004, Vermont legalized medical marijuana through the passage of Senate Bill 76, which authorized state-registered patients to grow up to three marijuana plants and posses up to two ounces of marijuana for medical purposes.

In 2011, Vermont authorized the establishment of up to four state-licensed medical marijuana distribution facilities through the passage of Senate Bill 17. On June 8, 2017, Governor Phil Scott signed Bill S. 16 authorizing the operation of an additional dispensary in Vermont and allowing each existing dispensary to open one additional location. The Vermont Department of Public Safety ("VT DPS") regulates Vermont's medicinal marijuana regulatory program.

On January 22, 2018, Governor Phil Scott signed Vermont's recreational cannabis bill into law, the first recreational cannabis law to be passed by a state legislature. This law took effect on July 1, 2018 and allows adults 21 years of age and older to possess up to one ounce of cannabis and possess up to two plants.

No person is permitted to operate as a registered medical marijuana dispensary without a DPS-issued limited operating registration certificate. A dispensary may not dispense cannabis before the issuance of an active operating registration certificate, among other requirements. Limited operating registration certificates issued by the VT DPS to a dispensary are non-transferable. After a dispensary has been issued a limited operating registration certificate, the dispensary must obtain an active operating registration certificate and begin dispensing cannabis within six months. A waiver allowing an additional three months may be granted by the VT DPS upon receipt of a written justification for delay. A dispensary that does not commence dispensing within the required timeframe forfeits any and all fees that have been submitted.

Currently, there are five registered dispensaries in Vermont including GRVT. Each licensed dispensary may have up to two locations, where cannabis may be dispensed to registered patients, and one additional location, where cannabis is cultivated or processed.

The operations of a dispensary are subject to regulations promulgated by the VT DPS. On an annual basis, a dispensary may seek to renew its registration certificate. Upon this renewal request, the VT DPS determines whether to renew a dispensary's registration certificate for operation within 10 business days after submission of a completed VT DPS-approved form with all required documentation and the required fee.

Effective October 1, 2020, Bill S. 54 went into effect creating a regulatory system for the commercial sale of adult-use cannabis in Vermont. Bill S. 54 creates a new Vermont Cannabis Control Board ("VT CCB") that will take over regulation of Vermont's medical marijuana program from VT DPS and will also regulate adult-use cannabis. Under Bill S. 54, six separate license types will be issued for cultivators, wholesalers, product manufacturers, retailers, testing laboratories, and integrated licenses, which would allow the licensee to engage in the activities of a cultivator, wholesaler, product manufacturer, retailer, and testing laboratory. An integrated license is only available to an applicant that holds a dispensary registration on April 1, 2022. There will be no more than five total integrated licenses, one for each registered dispensary. The VT CCB is expected to begin issuing licenses between May 1, 2022 and October 1, 2022. Pursuant to Bill S. 54 Vermont municipalities must opt into permitting the presence of licensed adult-use cannabis operations.

iA CBD

On June 27, 2019, the Company, through its wholly owned subsidiary, iA CBD, acquired substantially all of the property and assets of CBD for Life. As a result of its acquisition of CBD for Life, the Company through its wholly owned subsidiary, iA CBD, is engaged in the formulation, manufacture, creation, and sale of products infused with CBD. The CBD used to manufacture these products is exclusively derived from hemp. The Company intends for all its hemp-derived products to be produced and sold in accordance with the 2014 Farm Bill and the 2018 Farm Bill, as applicable at the time and location of operation and for such products to constitute hemp under the 2018 Farm Bill.

Risk Factors

Many factors could cause the Company's actual results, performance and achievements to differ materially from those expressed or implied by the forward-looking statements and forward-looking information, including without limitation, the following factors, which are discussed in greater detail under the heading "Risk Factors" in the Annual Report, which risk factors are incorporated by reference into this document, and should be reviewed in detail by all readers.

The risk factors described herein are not the only ones the Company may face. Additional risks and uncertainties that the Company is unaware of, or that the Company currently deems not to be material, may also become important factors that affect the Company. If any such risks occur, the Company's business, financial condition, or results of operations could be materially adversely affected, with the result that the trading price of the Common Shares could decline and purchases could lose all or part of their investment.

- The Company relies on third-party suppliers, manufacturers and contractors.
- The Company may not be able to continue executing its merger and acquisition strategy successfully.
- The Company competes for market share with other companies, which may have longer operating histories, more financial resources and more manufacturing and marketing experience than the Company has.
- The Company's U.S. tax classification could have a material adverse effect on the Company's financial condition and results of operations.
- The Company may incur significant tax liabilities under section 280E of the U.S. Tax Code.

Risk Factors (cont.)

- The Company may invest in securities of private companies, and may hold a minority interest in such companies, which may limit the Company's ability to sell or otherwise transfer those securities and direct management decisions of such companies.
- The Company experienced negative cash flow from operating activities.
- The Company's auditors have included a material uncertainty related to going concern with respect to the Company's financial statements.
- The Company is a holding company and the majority of the Company's assets are the capital stock of the Company's subsidiaries.
- If the Company's goodwill, other intangibles or fixed assets become impaired, the Company may be required to record a significant charge to earnings.
- The Company believes that it has, and will seek to maintain, adequate insurance coverage in respect of risks customarily insured by other companies in the Company's industry; however, premiums for such insurance may not continue to be on terms acceptable to the Company and there may be coverage limitations and other exclusions that may not be sufficient to cover potential liabilities faced by the Company.
- The Company's cannabis cultivation operations are subject to risks inherent in an agricultural business.
- The Company's cannabis cultivation operations are vulnerable to rising energy costs and dependent upon key inputs.
- The Company may not be able to transport its products to customers in a safe and efficient manner.
- The cannabis and hemp industry is subject to the risks inherent in an agricultural business, including the risk of crop failure.
- The Company is dependent on the popularity of consumer acceptance of cannabis and hemp products.
- The presence of trace amounts of THC in the Company's hemp products may cause adverse consequences to users of such products that will expose the Company to the risk of liability and other consequences.
- The Company will likely need additional capital to sustain its operations and will likely need to seek further financing, which may not be available on acceptable terms, if at all. If the Company fails to raise additional capital, as needed, its ability to implement its business model and strategy could be limited.
- The Company and its subsidiaries have limited operating history and therefore the Company is subject to many of the risks common to early-stage enterprises.
- The Company depends on key personnel to operate its business, and if the Company is unable to retain, attract, and integrate qualified personnel, the Company's ability to develop and successfully grow the Company's business could be harmed.
- The Company may have difficulty accessing the service of banks, which may make it difficult for the Company to operate.
- The Company competes for market share with illicit cannabis businesses and other persons engaging in illicit cannabis-related activities, and each such business or other person likely is not adhering to the same laws, regulations, rules, and other restrictions that are applicable to the Company.
- Servicing the Company's debt will require a significant amount of cash, and the Company may not have sufficient cash flow from the Company's business to pay the Company's substantial debt.
- Certain events or developments in the cannabis industry more generally may affect the Company's business.
- Cannabis pricing and supply regulation may adversely affect the Company's business.
- Tax laws related to cannabis and compliance costs may adversely affect the Company's business.
- Litigation, complaints, enforcement actions and governmental inquiries could have a material adverse effect on the Company's business, financial condition, and results of operations.
- The Company may be subject to product liability claims and product recalls.
- Third parties with whom the Company does business may perceive themselves as being exposed to reputational risk because of their relationship with the Company due to the Company's cannabis-related business activities and may as a result, refuse to do business with the Company.
- The Company may become subject to liability arising from any fraudulent or illegal activity by the Company's employees, independent contractors, and consultants.
- Some of the Company's lines of business rely on the Company's third-party service providers to host and deliver services and data, and any interruptions or delays in these hosted services, security or privacy breaches, or failures in data collection could expose the Company to liability and harm the Company's business and reputation.
- The Company may experience breaches of security at the Company's facilities or in respect of electronic documents and data storage and may face risks related to breaches of applicable privacy laws.
- The Company may be subject to risks related to the protection and enforcement of the Company's intellectual property rights, and third parties may enforce their intellectual property rights against the Company.
- Conflicts of interest may arise between the Company and the Company's directors and officers.
- The requirements of being a public company may strain the Company's resources, result in more litigation, and divert the attention of the Company's management.
- The Company's failure to maintain effective internal controls over financial reporting could have an adverse effect on the Company.
- The cannabis industry is highly regulated and the Company may not always succeed in fully complying with applicable regulatory requirements in all jurisdictions where the Company conducts its business.
- The Company's business activities and the business activities of its subsidiaries, while believed to be compliant with applicable U.S. state and local laws, currently are illegal under U.S. federal law.
- The Company's operations could be adversely affected by events outside of its control, such as natural disasters, wars or health epidemics.
- There is uncertainty surrounding the policies of President Donald Trump and the Trump administration and their ability to influence policies in opposition to the cannabis industry as a whole.

Risk Factors (cont.)

- The Company's investments in the United States may be subject to heightened scrutiny by regulators, stock exchanges, and other authorities in Canada and the United States.
- U.S. border officers could deny entry into the United States to non-U.S. citizens who are employees of or investors in companies with cannabis operations in the United States or Canada.
- The market price of the Company's Common Shares is volatile and may not accurately reflect the long-term value of the Company.
- There is no assurance that an investment in the Company's Common Shares will earn any positive return.
- The Company has never paid dividends in the past and does not expect to declare or pay dividends in the foreseeable future.
- The Company's Common Shares are subject to the "penny stock" rules of the SEC and the trading market in the securities is limited, which makes transactions in the stock cumbersome and may reduce the value of an investment in the stock.
- There is a limited market for the Company's Common Shares.
- Future issuances of debt securities, which would rank senior to the Company's Common Shares upon the Company's bankruptcy or liquidation, may adversely affect the level of return holders of Common Shares may be able to receive.
- The Company may be subject to liability for failure to comply with the requirements of the United States Securities Exchange Act of 1934, as amended (the "1934 Act").
- The U.S. federal government's approach to the enforcement of cannabis laws may be subject to change or may not proceed as previously outlined.
- The Company's investments in the United States are subject to applicable anti-money laundering laws and regulations in the United States and Canada.
- Laws, regulations, and the policies with respect to the enforcement of such laws and regulations affecting the U.S. cannabis industry are constantly changing, which could detrimentally affect the Company's cultivation, production, and dispensary operations.
- The Company relies on the operators of the Company's subsidiaries to execute their business plans and operations.
- If the Company is not able to comply with all safety, security, health, and environmental regulations applicable to its operations and industry, the Company may be held liable for any breaches thereof.
- The Company is subject to regulatory limits on advertising and marketing activities, which limitations may have a material adverse effect on the Company's business.
- There is a limited market for the Common Shares.
- Future issuances of Common Shares or securities convertible into, or exercisable or exchangeable for, Common Shares ("Securities"), or the expiration of escrow arrangements or lock-up agreements that restrict the issuance of new Common Shares or the trading of outstanding Common Shares, could cause the market price of the Common Shares to decline and would result in the dilution of current holders of Common Shares.
- The Company will incur ongoing costs and obligations related to regulatory compliance in a new and constantly evolving legal landscape. Failure to comply with legal mandates may result in additional costs for corrective measures, penalties, or restrictions of operations.
- There can be no assurance that the Company will be able to obtain or maintain any necessary licenses, permits, or approvals needed to produce and distribute its products.
- The Company may not be able to create and maintain a competitive advantage in the marketplace.
- The Company faces risks related to weather patterns and agricultural hemp operations such as low yields, the risk that crops may become diseased or victim to insects or other pests and contamination, and the possibility of extreme weather conditions, all of which could result in low crop yields, decreased availability of hemp, and higher acquisition prices. There can be no guarantee that an agricultural event will not adversely affect the Company's business and operating results.
- The Company faces risks related to the transportation of hemp and hemp-derived products and its reliance on third party transportation services, including risks resulting from the continually evolving federal and state regulatory environment governing hemp production and transportation.
- Certain hemp-derived products of the Company, even though compliant with the 2014 Farm Bill and 2018 Farm Bill, may contain traceable amounts of THC. Whether or not ingestion of THC at low levels or otherwise is permitted in a particular jurisdiction, there may be adverse consequences to end users who test positive for trace amounts of THC attributable to use of the Company's hemp-derived products. A claim or regulatory action against the Company based on such positive test results could adversely affect the Company's reputation and would have a material adverse effect on its business and operational results.
- The production, labelling, advertising, and distribution of the Company's hemp-derived products are regulated by various federal, state, and local agencies, including the FDA and FTC. At any point, enforcement strategies of a given agency can change, which could restrict the permissible scope of the Company's marketing or the ability to sell its products in the future. Enforcement activities by federal, state, and/or local law enforcement and regulatory authorities under the auspice of individual state law and local law, regardless of any potential conflict thereby with federal law, could adversely affect the Company's business and operating results.
- The shifting compliance environment, patchwork of state laws, and the need to build and maintain robust systems to comply with different regulations in multiple jurisdictions increases the possibility that the Company may violate one or more of these requirements. If the Company's operations are found to be in violation of any such laws or any other governmental regulations, or perceived to be in violation thereof, the Company may be subject to penalties or other negative effects, including, without limitation, civil and criminal penalties, damages, fines, and/or the curtailment or restructuring of the Company's operations, any of which would adversely affect the Company's business and financial results.

Risk Factors (cont.)

- There is uncertainty surrounding the characterization of CBD as a food and/or dietary ingredient by the FDA, and the Company may be subject to enforcement action taken by the FDA concerning products containing derivatives from hemp. Failure to comply with FDA requirements may result in, among other things, injunctions, product withdrawals or recalls, product seizures, fines, and criminal prosecutions.
- The USDA, FDA, and other federal, state, and local agencies are currently in the process of rulemaking to establish standards governing the production and sale of hemp-derived products in the U.S. There is uncertainty as to whether such rules will be unfavourable or could negatively impact the Company's operations with respect to its hemp-derived products. Changes in the regulatory framework and in the interpretation of applicable laws and regulations at federal, state, and local levels could be unfavourable to the Company.
- Changes in current public support for favourable legislative action at the state and federal levels could negatively impact the Company.
- Changes in consumer perception of CBD products and product returns could negatively impact the Company.
- Certain of the transactions contemplated by the Recapitalization Transaction will require review and/or approval by state-level regulators in certain U.S. states with jurisdiction over the licensed cannabis operations of entities owned in whole or in part or controlled directly or indirectly by iAnthus. There can be no guarantee that state-level regulatory approval will be obtained where it is required. If the Company fails to obtain any required state-level regulatory approval, its ability to implement the Recapitalization Transaction could be limited.

Upcoming Change in Issuer's GAAP

The Company ceased to be a "foreign private issuer" under the rules of the U.S. Securities and Exchange Commission and ceased to be eligible to use the rules and forms available to foreign private issuers as of December 31, 2019. As a result, the Company will have to prepare its audited annual financial statements for the years ended December 31, 2019 and 2018 in accordance with United States generally accepted accounting principles ("US GAAP"), with such change being applied retrospectively. The Company will also prepare its interim financial statements for 2020 under US GAAP. The extent of the impact of this change in accounting framework has not yet been determined. The Company will report its year end December 31, 2020 financial statements under IFRS as issued by the International Accounting Standards Board and the Company expects to provide further guidance on the impacts of converting to US GAAP.